FINANCIAL TIMES

Start the week with...

Management
Harvard answers its critics
Page 10

Michael Prowse
Time for Greenspan to show true grit
Page 16

Business Travel
Eurostar sharpens its service
Amon Cohen, Page 14

World Business Newspaper http://www.FT.com MONDAY SEPTEMBER 23 1996

Congress party set to name Rao's successor

Leaders of India's Congress party are expected tonight to appoint a successor to former prime minister P.V. Narasimha Rao, who quit as party president at the weekend after a Delhi judge ordered him to answer swindling charges in court. Mr Rao's resignation could further splinter the party, which has been in disarray since its poll defeat in May, when it recorded its worst electoral performance. Page 18; Resignation hits Congress morale, Page 4

Opposition concedes in Greek poll: Greek opposition leader Miltiades Evert conceded defeat in yesterday's general election and said he would resign as leader of the conservative New Democracy party. The governing Panhellenic Socialist Movement is expected to achieve a narrow victory when final results are announced. Earlier story, Page 3

Anheuser pulls out of Budweiser talks: US brewing group Anheuser-Busch is pulling out of talks with the Czech government on securing a trademark agreement over rights to the Budweiser name in continental Europe. Page 18

Bass rivals look for concessions: Bass of the UK may have to make big concessions to gain regulatory approval for its acquisition of Carlsberg-Tetley, rival brewers and pub owners suggest. Page 20

Alcatel seeks to cut costs: French telecommunications and engineering group Alcatel Alsthom is launching a drive to cut working capital to help its debt reduction programme. Page 19

Agco seeks to spend $1.5bn in Europe: US tractor maker Agco is willing to spend up to $1.5bn over five years acquiring European makers of farm equipment. Page 19

Raytheon cuts workforce: US electronics and engineering group Raytheon blamed lower US defence procurement spending for an unexpected decision to cut further jobs. Page 6

Korean tensions grow: Tensions in the Korean peninsula in the wake of a North Korean submarine intrusion are creating problems for the US, which has tried to mediate between Seoul and Pyongyang. Page 4

Approval of MS drug set to lift Teva: Teva, Israel's largest pharmaceuticals company, expects annual sales to rise at least 30 per cent to more than $360m following the decision by the US Food and Drug Administration to recommend approval of Copaxone, the company's multiple sclerosis drug. Page 21

Cash call for air traffic controller: Royal Bank of Canada will lead a syndicate of Canadian and foreign banks to raise C$3bn (US$2.19bn) for Nav Canada, a company formed to take over Canada's extensive air traffic control system. Page 21

US moves on Third World loans: The Clinton administration told the International Monetary Fund that it might ask Congress to approve a $300m payment towards the cost of putting the IMF's subsidised loan facility for poor countries on a permanent footing. Page 6

BASF to invest in Malaysia and India: German chemicals company BASF is to invest several billion D-Marks in giant chemical complexes in Malaysia and India. Page 21

Seat in the black: Seat, Volkswagen group's Spanish carmaker, moved into the black for the first time in five years with a Pta2.76bn ($21.75m) net profit in the first eight months. Page 19

Villeneuve still in championship: Canadian Jacques Villeneuve kept alive hopes of the world drivers' championship when he won the Portuguese grand prix at Estoril ahead of Williams team mate Damon Hill of the UK. The championship will be decided at the Japanese grand prix on October 13. Hill needs just one point to win.

European Monetary System: The French franc's strong performance last week, after France's 1997 budget announcement, narrowed the gap against the other member currencies. But the French franc still remains the system's weakest currency. The Spanish peseta replaced the Irish punt as the strongest on the grid. Currencies, Page 25

EMS: Grid September 20, 1996

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

Yeltsin 'can work for only 15 minutes a day'

By John Lloyd in London and Chrystia Freeland in Moscow

Russian president Boris Yeltsin has suffered a stroke, and is unable to work for more than 15 minutes a day, according to insiders close to the presidential staff.

The latest information comes in addition to an indication by his heart specialist *that Mr Yeltsin suffered* a third heart attack in June. His doctors estimate that he has at best a 50:50 chance of surviving a heart bypass operation due to take place before the end of the month.

The latest information to emerge from the Kremlin is that the Russian leader suffered his double assault between the first and second rounds of the presidential election in the summer. Since *then, he has been* unable to work for more than very restricted periods and has not *signed a single document* since it occurred.

Instead, all decrees and orders purportedly authorised by the Russian leader have been signed by Mr Anatoly Chubais, his chief of staff, with a rubber stamp of the president's signature.

The information is the first to suggest that Mr Yeltsin also suffered a stroke as well as a heart attack. That would help explain his extremely brief and wooden public appearances since the election.

The revelations were bolstered over the weekend when the president's heart surgeon told western television stations that Mr Yeltsin was probably too ill to undergo heart surgery by the end of the month.

"The most likely decision is that the operation will be postponed," Dr Renat Akchurin, the cardiac surgeon expected *to operate on Mr Yeltsin, told* French television. "In effect, if the risks are high, no one will want to take the chance ... A surgeon does not jump off an aeroplane without a parachute."

Yesterday evening Dr Akchurin told NTV, a Russian commercial television station, that the operation might be postponed for up to two months.

He also warned that it would be difficult for the president to carry on without surgery. To survive without a heart bypass, *Dr Akchurin said*, Mr Yeltsin would be required to limit his activities severely, "and the president is unlikely to tolerate that".

Dr Akchurin also confirmed that Mr Yeltsin, who had two heart attacks last year, suffered a third heart attack in June or July, when the president suddenly vanished from public view.

Although presidential doctors have been discussing the need for heart bypass surgery since last autumn, a source close to the president said *surgery was ruled out ahead of* the presidential ballot because of the danger that Mr Yeltsin *might die. The condition of his* major arteries and his liver is very poor, making the prospects for such surgery uncertain, the doctors admit.

Surgeon 'short of practice', Page 2

EU finance ministers reach agreement on blueprint for ERM2

Support for Emu stability pact plan

By Lionel Barber in Dublin

The process towards European monetary union took a big step forward at the weekend with agreement in principle on a stability pact to enforce budgetary discipline among future members of the single currency.

European Union finance ministers meeting in Dublin also agreed on a blueprint for a new European exchange rate mechanism, which would manage relations between currencies inside and outside Emu.

The informal deals, the precise details of which still have to be finalised, mean the EU is on course for agreement by the end of the year on the rules governing currency and budgetary discipline after the planned launch of the euro on January 1 1999.

The most important *difference* remains the circumstances in which a future stability pact would be enforced.

The ministers agreed that automatic sanctions would be used to ensure no Emu participant would allow prolonged budget *deficits larger than* 3 per cent of gross domestic product. They could not agree on "exceptional circumstances" which would allow temporary deviation.

The plans go a long way to meeting German demands, in *particular on the creation of a* stability pact. The progress in Dublin should strengthen confidence in the financial markets that economic and monetary union is on track.

Mr Jacques Santer, president of the European Commission, said Emu was "irreversible". Mr Kenneth Clarke, UK chancellor of the exchequer, *declared:* "I get the *feeling* clearer and clearer that it [Emu] is going ahead."

Only three countries – Denmark, Ireland, and Luxembourg – meet all the Maastricht treaty targets on inflation, interest rates, budget *deficits and debt. But Mr Santer* said economic growth was picking up across the EU, boosting hopes that most countries could meet the toughest target, reducing public deficits to 3 per cent of GDP next year.

Many companies could be forced to consult their workers under plans to be unveiled in Brussels tomorrow. Companies with more than 50 employees would be legally bound to consult and inform their workers on group affairs. Details, Page 18
Bandwagon picks up pace at Dublin meeting, Page 3;
Editorial Comment, Page 17

Ireland's finance minister Ruairi Quinn (left) and his wife greet European Commission president Jaques Santer at an Irish parliament reception in Dublin yesterday *Picture: Maxwell Picture Agency*

The Dublin meeting reached a consensus on three areas:

- A new "hub and spokes" exchange rate mechanism with the euro at the centre. Currencies will be allowed to fluctuate by up to 15 per cent either way, but countries can choose to negotiate narrower bands. *On UK insistance*, membership of ERM2 will be voluntary.

Currencies under speculative attack can expect to be supported by the future European central bank.

But the ECB has final discretion and its intervention will *be linked informally to* whether a country sticks to maintains earlier agreed macroeconomic targets. *All* parties, including the ECB, will have the right to initiate a currency realignment.

- Ministers made less progress on the stability pact, but Mr Theo Waigel, German finance minister, said all countries had offered a strong political commitment to the idea of automatic sanctions.

Ministers agreed countries would face sanctions if they notched up a deficit higher than 3 per cent of GDP – unless they took immediate corrective action or faced temporary or exceptional circumstances. But ministers must define "exceptional".

- The legal status of the euro. The European Commission will present a regulation next month to guarantee legal certainty to businesses and investors expecting to use the euro. The move meets market demands for legal certainty that contracts drawn up in national currencies will still be respected after the Emu begins.

China tightens foreign currency shares bar

By James Harding in Beijing

China's stock exchanges have restored in full a ban on domestic investors buying foreign currency "B shares" in a move that will damage the fledgling markets for foreign investors in Shanghai and Shenzhen.

B shares are reserved for foreign buyers in Chinese-listed companies and are denominated in US dollars in Shanghai and Hong Kong dollars in Shenzhen. Local Chinese, although prohibited from buying B shares, are estimated to account for as much *as half* the trade in the stocks.

Analysts in Shanghai were despondent yesterday about the prospects for the B share markets. Even before the weekend announcement by the Shanghai stock exchange they were dogged by poor *liquidity and had hovered* recently at historic lows.

"Domestic investors have been an important factor in helping maintain at least a little liquidity in Shanghai and Shenzhen. Without them, the B share market will perform even worse and could be below record levels by the end of the week," an analyst for a *leading Hong Kong brokerage* firm said.

The B share market – dis-

Continued on Page 18

GTE lines up in bid battle for demerged arm of Stet

By Andrew Hill in Milan

Some 20 international telecoms and publishing groups are lining up to buy the Italian government's stake in Seat, the publishing division of Stet, the state-controlled telecommunications holding company.

GTE, the US telephone company, said yesterday it was among companies planning to make an aggressive bid for the 61 per cent stake in Seat, probably in partnership with Italian companies. Seat will be demerged from Stet at the end of this year.

About half of the 20 or so *companies* expressing an interest in the division are European.

Analysts believe the whole of Seat could be worth more than $2bn. The demerged company will include the publishing activities, responsible for telephone directories, and printing and advertising subsidiaries.

Mr Olivier Vincent, vice-president and general manager of GTE Directories Europe – one of the world's biggest publishers of telephone directories – said the company was looking to expand rapidly in Europe, where it already has interests in Belgium, Hungary and *Austria*.

"Seat is profitable, it has potential for future development, and *it is well-managed*. It is also big and we are looking for size at this stage," he said.

Since the Italian government formally invited expressions of interest, Lehman Brothers' Milan office, which is handling the Seat sale, has been contacted by telecoms operators, specialist directory publishers and *printers from Europe*, the US, Asia and Australia.

The demerger and sale of Seat was decided in August as part of a new strategy to reduce debt at Iri, the state holding company which owns a majority stake in Stet.

The government decided Stet should spin off Seat and examine the feasibility of selling its stakes in Sirti and Italtel, respectively its contracting and equipment manufacturing operations, ahead of full privatisation of the core telecoms company by March next year.

Many of the potential international bidders are looking for partners and local advisers in Italy, *in the hope of adding* weight to their offer and allaying the fears of Seat's 2,000 employees that foreign owners might impose job cuts.

Potential bidders have until October 3 to express interest. Iri will then decide which companies should be admitted to the preliminary bidding process.

After the demerger, Iri will hold the majority stake in Seat and Stet shareholders will receive *one new Seat share for* every Stet share held. A bid for the whole Iri stake would probably trigger an automatic offer at the same price for the other shares.

CONTENTS

Albania	LEK 275	Gibraltar	£0.75	Lithuania	Lita 10.00	Qatar	QR13.00
Austria	Sch32	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr260	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc70	India	Rs75	Nigeria	Naira120	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3300	Oman	OR1.75	Switz	SFr3.70
Estonia	Kr 38	Japan	Y500	Pakistan	Rs50	Syria	S£60.00
Finland	FM15.00	Jordan	JD1.75	Poland	Zl8.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils750	Portugal (m'land)	Es265	Turkey	L120,000
Germany	DM4.00	Lebanon	L£3500			UAE	Dh13.00

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

Exclusiveness may not be good thing where Yeltsin's heart is concerned

Top surgeon 'short of practice'

By Chrystia Freeland in Moscow

In the whirlwind of change which has swept through Russia since the collapse of communism, one Soviet tradition has remained firmly in place. Like their politburo predecessors, Russia's current rulers are cared for by a special network of Kremlin hospitals reserved for the nation's elite.

At one of these privileged oases, the clumsily-named Russia Scientific-Industrial Cardiological Centre, President Boris Yeltsin will undergo heart surgery later this month – if his doctors judge him well enough to survive the strain.

But some Russian and western doctors have warned that the privileged system within which the surgeons work could actually be detrimental to the country's most important heart. They warn that the very exclusiveness of the Kremlin network could, where hearts are concerned, be a bad thing.

The director of the cardiological centre is Dr Yevgeny Chazov, who, as head of the 4th Directorate, the Soviet term for the Communist leadership's exclusive medical services, ministered to the USSR's last general secretary, Mr Mikhail Gorbachev.

Dr Renat Akchurin, the centre's top heart surgeon and the man who has been tipped to wield the scalpel over the presidential heart, is known in medical circles as the "nomenklatura doctor". He has operated on Mr Victor Chernomyrdin, the premier, and Mr Oleg Lobov, a deputy prime minister and close friend to Mr Yeltsin.

A former student of Dr Michael De Bakey, the American pioneer of heart surgery who has been summoned this week to Moscow for consultations, Dr Akchurin commands wide international respect.

But, as one western surgeon familiar with Russia explained, heart surgery is a delicate skill which requires constant practice and training to ensure that the surgeon's hands are always as deft as possible.

Western heart specialists perform several operations a day, their Russian colleagues at ordinary hospitals do surgery about once a day. But in the Kremlin network, where only very important hearts qualify, the top surgeons operate less often, perhaps once or twice a week. Dr Akchurin told Russian television yesterday he performed about 100 operations a year.

The result, in the view of some Moscow doctors, is that the heart surgeons to the elite are not as practised as those who work on *hoi polloi*.

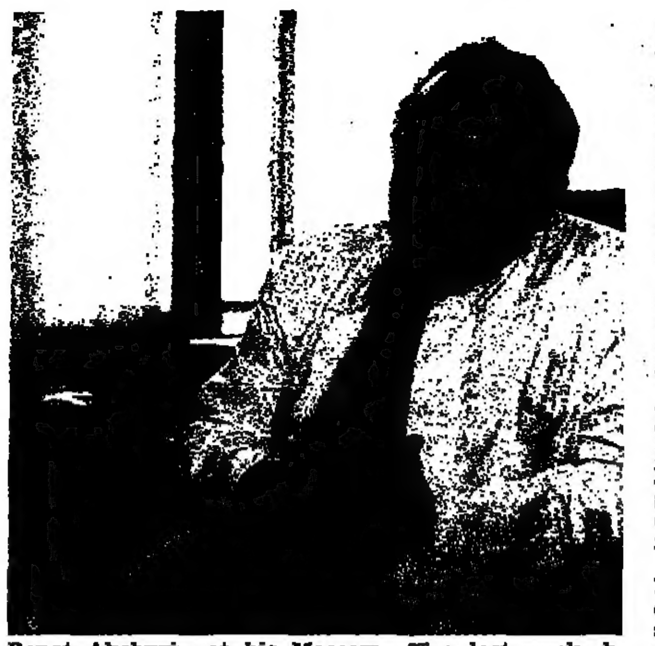
"It is a strange thing – it is considered the best because it is our court hospital, but their skills are far from the best," a cardiac surgeon at one of Moscow's top hospitals said of the Russian Scientific-Industrial Cardiological Centre.

But other leading figures in Russia's tense medical fraternity offer a more tactful opinion of the special surgeons.

"They have recommended themselves beautifully. Think of what old leaders we had in the Soviet Union and how long they kept them going," said Dr Leo Bokeria, one of Russia's most respected heart surgeons.

Yet Dr Bokeria, another De Bakey alumnus, also concedes that reviving Mr Yeltsin's heart is one privilege few Russian surgeons are eager to be granted.

"I think our surgeons are afraid. Operating on the heart in certain circumstances can be very dangerous and to be left with that your whole life would be very difficult," Dr Bokeria said.



Renat Akchurin at his Moscow office last week: he commands wide international respect Reuter

Moscow tries to stem far north food crisis

By Chrystia Freeland

The Russian cabinet convened an urgent meeting at the weekend to discuss the shortage of food and fuel in Russia's hostile far north.

The high-level gathering was a sign of the government's fear that the often unpaid residents of the regions, where severe Arctic winter is already closing in, might join the striking power workers of the far east in a wave of protests that could jeopardise the country's newly won financial stability.

The entire town of Vorkuta, a coal-mining settlement inside the Arctic circle, declared its intention at the weekend to support a national coal strike called for October 1. Only essential services will not be shut down. The Vorkuta miners, whose incomes are the life blood of the city, have not been paid since May.

Ministers said at the cabinet meeting that the far north needed Rbs2,000bn ($371m) worth of energy and food to survive the winter. However, officials said there was no money in this year's tough budget, which has won praise from the International Monetary Fund, to pay for what Russians call "the northern shipment".

Despite this, Mr Victor Chernomyrdin, the premier, told ministers: "We cannot allow people in the northern regions to spend the winter without fuel, food and necessary consumer goods".

The struggle to prevent social disaster in the far north without breaking the budget is the beginning of what could be the Kremlin's biggest political and economic challenge this autumn. The government has cut the inflation rate to its lowest levels since the beginning of market reforms and stabilised the rouble, creating what many analysts believe are the preconditions for an economic boom.

In addition, the government has accomplished this turnaround in an election year, when President Boris Yeltsin allowed tax revenues to plummet and made extravagant promises for future spending in a successful attempt to defeat his communist challenger.

But now, as winter approaches, the social costs are becoming apparent as workers across the country demand payment of their wage arrears. Russia's far east is already suffering this year's second power black-out. Power workers, who claim they have not been paid since April, went out on strike last week, cutting electricity supplies to towns and cities on the Pacific coast to less than 12 hours a day.

The mounting social unrest – a seasonal event in Russia since the beginning of market reforms – has started to revive the country's defeated Communists.

Mr Gennady Zyuganov, the Communist leader who failed in his July bid for the presidency, issued a fire-breathing statement over the weekend which warned: "All across the country, plants and factories are at a standstill, crops remain unharvested, food and fuel are not delivered to Arctic areas ... All the government's showy promises remain hollow."

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
R

Italy gripped by second bout of corruption fever

Andrew Hill explains background to latest round of arrests and allegations

Italians are already calling it Tangentopoli 2. A new round of VIP arrests, leaks of confidential evidence, and allegations of high-level bribery and corruption are rocking Italy's political and economic establishment, less than five years since the launch of the first wide-ranging corruption investigation, nicknamed Tangentopoli, or Bribesville.

Just over a week ago, Mr Lorenzo Necci, chief executive of Italy's state railway company, was arrested at his seaside retreat in connection with an investigation organised by prosecutors at the Ligurian port of La Spezia. The allegations include corruption, fraud, embezzlement, falsification of accounts, abuse of office and crimes against the public administration.

Mr Necci is one of Italy's best known state-sector managers, while Ferrovie dello Stato, the railway company, is the country's largest public sector employer. His political contacts have several times put him in line for government office, most recently early this year when Mr Antonio Maccanico, now telecoms minister, tried unsuccessfully to form an interim government.

Mr Necci was questioned three years ago as a former chairman of Enimont, the ill-fated chemicals joint venture which was at the centre of Tangentopoli 1, but he was never arrested, let alone indicted. Mr Eugenio Scalfari, veteran Italian journalist, described him last week as "a salamander who emerged unscathed from the judicial fire" of the Enimont bribes inquiry.

What has particularly shocked Italians, however, is that La Spezia magistrates have also taken into custody another group of people whose names were familiar from previous scandals. They included Mr Francesco Pacini Battaglia, an Italo-Swiss financier, who was questioned three years ago over illegal financing of political parties, but never arrested, and Mr Emo Danesi, a former Christian Democrat deputy who resigned in 1981 when he was named as a member of the rogue masonic lodge, P2.

Italy's first round of corruption investigations in Milan in 1992 uncovered widespread bribery linking the old political class with some of the country's largest companies.

Nobody seriously thought that it had wiped out corruption. Mr Antonio Di Pietro, best known of the Milan anti-corruption team and now a minister in the centre-left government, claims the "Clean Hands" investigation touched only 5 per cent of all fraud.

But until last week many Italians believed the first wave of arrests and trials had at least stripped away the upper layer of corrupt political power and sent a strong warning to politicians, financiers and entrepreneurs not to mix in the wrong circles.

News of last week's arrests arrived in the middle of an agonised debate between judiciary and government over whether to introduce some form of amnesty for people caught up in the original Tangentopoli investigation.

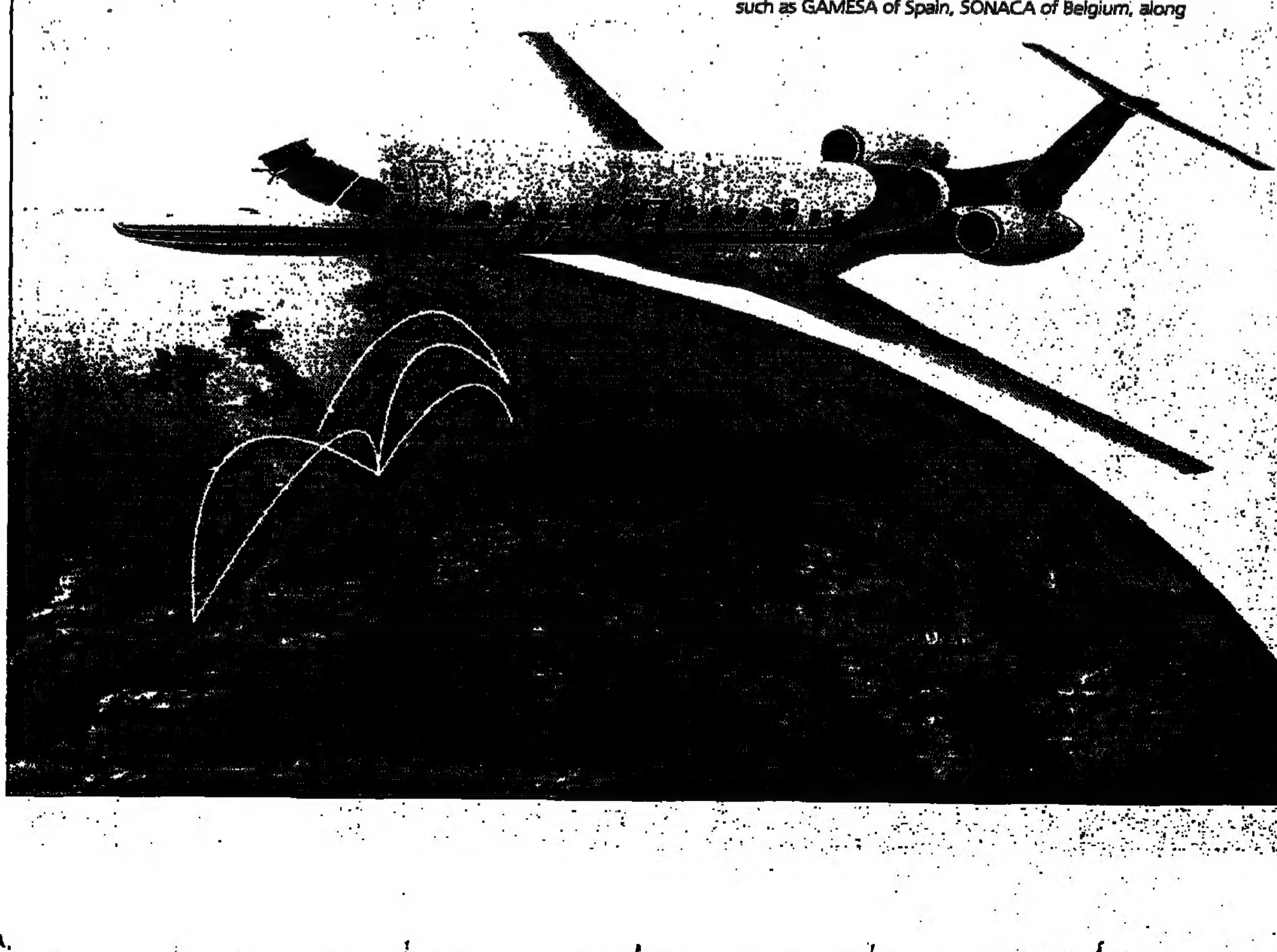
The opening of the La Spezia investigation has entirely changed the terms of the amnesty debate. In particular, the publication of transcripts of Mr Pacini Battaglia's telephone calls and conversations seemed to place him at the centre of a powerful lobby which was operating at the margins of political and economic power as recently as February this year.

What originally seemed to be a straightforward investigation into contracts and deals involving the Ferrovie dello Stato has also now broadened to include the defence sector. Another prominent state-sector manager, Mr Pier Francesco Guarguaglini, chief executive of Oto Melara, the arms manufacturer based in La Spezia, was arrested two days after Mr Necci.

Italian newspapers at the weekend claimed the La Spezia investigators were examining a separate strand of allegations involving the arms trade with Middle East and east European countries.

All those arrested have protested their innocence. Employees of the state railway have been partly reassured by the fact that Mr Necci has not resigned as chief executive, although his powers have been assumed by the chairman and directors. The government has said it will guarantee the railway infrastructure projects, most notably the ambitious project to link Italian cities to the European high-speed train network, which Mr Necci has championed.

Meanwhile Italians' appetite for a good conspiracy theory has again been fuelled by magistrates, who at first claimed that the investigation would be characterised by "absolute secrecy". In fact, transcripts of the telephone calls – the basis for the arrest warrants – began to appear in the press almost immediately, and the prosecutors in charge of the investigation fomented speculation by hinting that prominent political figures were also involved.



EU unions to push 800 companies for councils

By Robert Taylor, Employment Editor

European trade union leaders plan to target more than 800 multinational companies and demand they set up consultative works councils for employees under the European Union law that came into force this weekend in 17 EU and European Economic Area countries.

An estimated 20 per cent of the multinational companies covered by the legislation have already negotiated voluntarily with trade unions to create such an information and consultation body at the corporate level of their business. From today employers will be compelled by law to create a works council if asked to do so by their workers.

Estimates by both the Warwick University Business School in the UK and the EU-funded European Foundation for the Improvement of Living and Working Conditions suggest that over 200 out of an estimated 1,152 companies covered may have negotiated agreements with their employees or trade unions. The EU legislation requires every company (including those which are US- and Japanese-owned) which employs more than 1,000 workers in the 17 countries, with over 150 in at least two member states, to establish an employee consultation and information committee.

The largest number of European works councils so far negotiated have been in Germany (27 per cent of them, more than 41) followed by France (22 per cent or over 25). But 14 per cent of agreements are with UK companies, despite the UK's opt-out from the social chapter of the Maastricht treaty which does not require those companies to create works councils to include their UK workers. Only one agreement – the Dutch-owned banking and insurance group ING – explicitly excludes its British workers from its works council.

The European Foundation survey found a third of all works council agreements included countries outside the area covered by the law, such as Switzerland, the Czech Republic, Hungary and Poland.

As many as 35 per cent of the existing agreements (61) are in the metalworking sector, followed by 25.4 per cent in chemicals (44) and 14.5 per cent in food, hotels and catering (25), according to the Warwick report, compiled by Mr Mark Hall from its industrial relations research unit. By contrast, only one retail company has negotiated a European works council, and there is one in telecommunications.

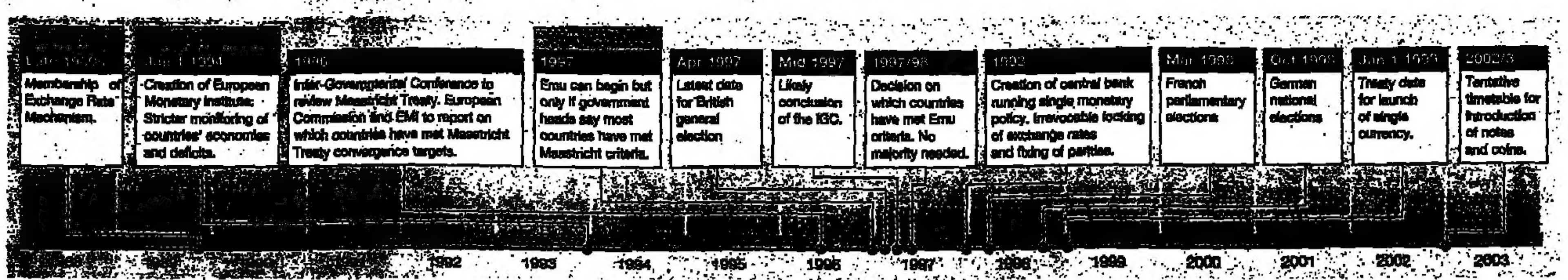
A study of 111 voluntary European works councils published today the European Foundation found at least one in four French companies and one in six of UK companies had signed such an agreement voluntarily.

It also said that although trade unions were not specifically mentioned in the directive they had been "heavily involved" in their creation, with 55 per cent of agreements signed by a trade union organisation. The survey suggests only about 15 per cent of works councils have been created without trade union influence.

The study has also found full-time trade union officials are directly taking part in half of the works councils so far created, and more will participate as so-called experts in an advisory role on the new bodies. Two thirds of all the negotiated councils provide for trade unions to nominate employee representatives in all or some of the European countries covered.

Three-quarters of the works councils are joint management-employee bodies and 80 per cent cover all the operations of the multinational, with the rest providing for divisional-level structures. Their average size is 25 on the workers' side, with size ranging between seven and 70. Around half have smaller select committees created to prepare for the council meetings which 90 per cent of companies hold once a year.

In 84 per cent of agreements, worker representatives are allowed to meet without the company management being present. Over half provide for a report back to the workforce as a whole in the operation of the works councils.



Emu bandwagon gathers speed in Dublin

Europe's march toward a single currency has moved into higher gear. The sense of shifting tempo was palpable at the end of this weekend's meeting of EU finance ministers and central bankers in Dublin.

Mr Kenneth Clarke, UK chancellor, captured the mood of optimism on Saturday night: "I get the feeling more and more clearly that it [economic and monetary union] is going ahead."

Exactly a year ago, Mr Clarke rated the chances of Emu happening around the turn of the century at 60-40. His latest assessment reflects steady ministerial progress toward a blueprint for the launch of the single currency – the euro – on schedule on January 1 1999.

Thanks to crisp chairmanship by the Irish presidency, the negotiations produced near-agreement on a reformed Exchange Rate Mechanism to manage currency stability between countries inside the future euro area and those outside. In addition, ministers narrowed differences over the terms of a Stability Pact to enforce budgetary discipline among countries who join the single currency.

Thus, the Irish plan to strike a comprehensive deal at the EU summit in December in Dublin looks on track. But however impressive these technical preparations, the political implications of Emu are as unclear as ever.

The fear that Emu could divide the EU between a rich northern core, dominated by Germany, and a poorer southern group was ever-present in Dublin. Divisions between France and Germany are also in the air.

In a joint article in Friday's International Herald Tribune, Mr Theo Waigel, German finance minister, and Mr Jean Arthuis, French finance minister, said: "We are more than ever convinced that European monetary union will become a great success, and we have common views on all the important issues that remain to be resolved beforehand."

The declaration buried reports of German complaints about creative accounting in the French draft budget for 1997 which allowed Paris to hit the Maastricht treaty public deficit target of 3 per cent of GDP. But this feat was achieved only through a one-off payment of FFr37bn ($7.3bn) from France Télécom to the government covering future pensions liabilities. German officials could not hide their distaste for the manoeuvre.

Fiscal rectitude and price stability are the twin pillars of German policy. That is why Mr Waigel and Mr Hans Tietmeyer, Bundesbank president, are pushing so hard for a Stability Pact with automatic sanctions against delinquents, and why they insist on the European Central Bank being modelled on the anti-inflationary Bundesbank.

France supports the Stability Pact, but the thrust of its diplomacy is geared toward assuring currency stability between the Emu core and those who may initially remain outside, notably such large trading partners as Britain, Italy and Spain – hence French disappointment over Mr Clarke's victory earlier this year when he secured agreement that ERM membership would be voluntary.

The other big French concern is public opinion. The *franc fort* policy is once again under attack. Gaullists such as Mr Philippe Séguin and Mr Charles Pasqua share the concerns of Socialists such as Mr Laurent Fabius about Maastricht's deflationary bias. Le Monde summed up the mood last Friday: "How can France be assured in the [Emu] negotiations that the European economy will not be stifled by the German obsession with stability?"

These pressures for more political influence over the European Central Bank prompted Mr Arthuis to float the idea of a "Stability Council" comprising countries who join the single currency.

Mr Arthuis approached Mr Clarke in Dublin on Friday night, but received a polite rebuff. When he raised the idea on Saturday afternoon, he met an even cooler reception. Several delegations wondered if the French idea amounted to a ruse to create an elite caucus within the Union which would sideline the European Commission.

In the end, France and Germany will have to cut a deal on the Stability Council. The outcome will reveal whether it amounts to a first building block in what Mr Jacques Delors, former president of the European Commission, called the "economic government of Europe", or whether it is a fig-leaf for France as it accepts German terms for a new model Bundesbank. The hard bargaining has only just begun.

Lionel Barber

EUROPEAN NEWS DIGEST

Pasok ahead in Greek poll

Exit polls last night indicated that Greece's governing Panhellenic Socialist Movement was heading for a narrow but decisive victory in yesterday's general election. They gave Pasok about 42 per cent of the vote against just under 40 per cent for the conservative New Democracy party.

Analysts said a difference of two points would give the Socialists an overall majority of about 10 seats in the 300-member parliament.

The exit polls also showed that two small leftwing parties, the Communists, still fervently Stalinist, and the ex-communist Synaspismos, were ahead of other fringe parties, with about 5 per cent of the vote each. They were trailed by the Democratic Renewal Movement, founded by hardline Socialist rebels earlier this year, and the centre-right Political Spring, each with just over 3 per cent of the vote.

Mr Costas Laliotis, minister of public works, claimed that Pasok would win the election by at least three percentage points.

Kerin Hope, Athens

Belgian corruption allegation

The chairman of the Belgian police union said yesterday he had proof of widespread class-based justice and corruption in which investigations concerning senior government figures are quickly dismissed.

Mr Paul Van Keer threatened to make public certain judicial dossiers about important people that were allegedly classified following outside interference. He refused to give more details.

The leader of the opposition, Mr Herman De Croo, said Mr Van Peel had "set off a bomb" which could only further undermine public confidence in Belgium's justice system, already under pressure after a series of bungled investigations and unsolved crimes.

"You would be amazed if you see whose cases are classified without further action," Mr Van Keer told BRTN television. He refused to make his charges more specific but such allegations by a leading state police official can only fuel rumours that recent unsolved crimes are linked to a concerted cover-up.

AP, Brussels

Pope completes French tour

In the face of doubts about his health and authority, Pope John Paul yesterday wrapped up a demanding four-day pilgrimage to France that drew huge crowds of faithful and small protests.

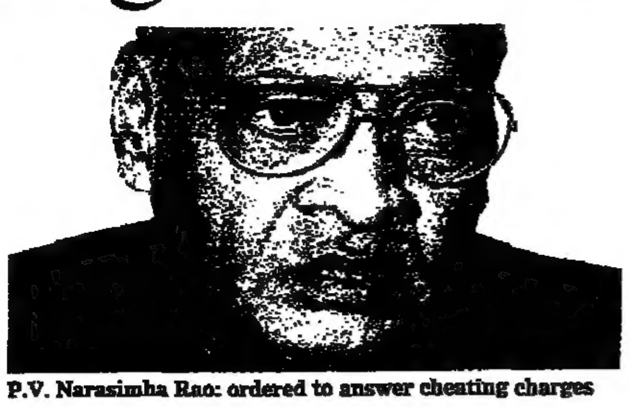
The pope appeared to tire toward the end of the day, but prelates who spent time with him said his spirit kept him going and he talked openly of his mortality.

John Paul "speaks freely, and with a smile, of his death. There is no fear of the void", Paris Cardinal Jean-Marie Lustiger said.

AP, Reims

Rao resignation hits Congress morale

Mr P.V. Narasimha Rao's ignominious resignation as president of India's Congress party, after being ordered to answer cheating charges before a Delhi court, caps what must rank among the most ignoble and dispiriting periods in the party's 111-year history.



P.V. Narasimha Rao: ordered to answer cheating charges

On the eve of India's 50th anniversary of independence, the party – which embodied the nationalist struggle against the British Raj and counted among its leaders statesmen such as Mahatma Gandhi and Jawaharlal Nehru, and later the charismatic Indira Gandhi and her son Rajiv – finds itself historically weakened, increasingly spurned by India's voters and out of tune with the defining forces of Indian politics.

Mr Rao's resignation will pitch Congress into a further "churning" which is providing a fillip for the 13-party United Front (UF) government which replaced Congress after May's elections. Congress' 140 MPs support the UF "from outside", leaving the coalition vulnerable to a withdrawal of Congress support. But, says Mr M.J. Akbar, editor of the Asian Age newspaper: "Confidence in the UF will have gone up, because they now see the one leader who could destabilise them has been destabilised himself."

Though the allegations of cheating by a London-based food executive will force Mr Rao to appear before court on September 30, this may not prove the most damaging case against the former prime minister. The Central Bureau of Investigation, the chief criminal agency, is also examining charges implicating Mr Rao in a forgery case and the alleged bribing of opposition MPs to secure a confidence vote.

But even a vindication of Mr Rao may not lift the cloud of corruption shrouding his party. Mr Sukh Ram, former Congress telecoms minister, is being investigated for corruption in a three-year tenure in which large deals were awarded as part of a telecoms privatisation programme. Seven former Congress ministers and a dozen Congress MPs have also been charged with receiving bribes from a Delhi-based businessman.

India's sceptical voters have long since seen political power and corruption as symbiotic, and many other parties have been incriminated in the recent spate of corruption scandals.

But Congress, which has governed India for all but five years since independence, suffers most from the image of corruption since it encouraged the culture of India's present political establishment, particularly the opaque system of political funding that depends on undeclared backhanders from business.

Many Congress leaders were yesterday insisting that only a "cleaner-than-clean" new president could revive the party's fortunes. But it is likely to take more than just this to regenerate a party whose share of the popular vote has been falling since the late 1980s and sank in May to a low of 28 per cent.

The achievement of the Rao era was the radical economic reforms he and Mr Manmohan Singh, finance minister, introduced after Congress won the 1991 elections. But this historic shift towards a more liberal, open economy, and subsequently robust economic growth, won Congress little electoral support.

The failures of Mr Rao's tenure were not only to have allowed corruption apparently to thrive. He is also accused by critics of having lacked wider judgment of political mood and trends of the country and to have dithered in decision-making.

Mr Rao's tenure also allowed rival parties to make inroads into other pillars of Congress support, notably urban and upper-caste Hindus, who increasingly aligned with the assertively Hindu nationalist Bharatiya Janata party (BJP), and the lowest caste Dalits, who have increasingly rallied behind new, aggressive low-caste parties.

Opinions differ sharply as to whether Congress's decline is irreversible. Some analysts read into the recent elections signs of terminal disintegration. Others are more sanguine that a new leader can reverse the trend. "The Titanic didn't sink because anything was wrong with the ship," says Mr Akbar. "It sank because the captain didn't see the iceberg." He argues that a more politically astute leader will revive it.

Neither indeed, in the short term, might the party be too far from returning to power, in one form or another. Delhi pundits have widely touted the notion that Mr Rao's departure could quickly lead to a realignment of the present government, which contains two parties – and several individuals – that defected from the mother Congress before the May poll. Some form of reunification appears possible – one which might lend the UF greater stability.

Mark Nicholson

Thai coalition searches for a new leader

By Ted Bardacke in Bangkok

Relief brought by the promised resignation of the Thai premier, Mr Banharn Silpa-archa, faded at the weekend, as the country's six governing parties started more backroom deal-making to select a successor who could both keep the coalition together and avoid immediate public ridicule.

Mr Banharn's coalition partners got themselves into this predicament on Saturday when they defeated a no-confidence motion against the embattled prime minister – but only after they forced him to promise to resign by the end of this week and hand over the premiership to someone else within the coalition.

Members of Mr Banharn's Chart Thai party say the premier was just minutes away from dissolving the house on Saturday and calling a new election – an option still available to him if Chart Thai, which remains largest party in the coalition, is not given enough prominent positions in the new cabinet.

The two immediate front-runners for the premiership are the defence minister, Gen Chavalit Yongchaiyudh, leader of the New Aspiration party, the second largest party in the coalition, followed by an ally of Gen Chavalit, Mr Amnuay Viravan, foreign minister and a former banker and leader of the small Nam Thai party.

Gen Chavalit wants the job but has consistently said he would like to win the post in an election, presumably to enhance his democratic credentials and control a bigger slice of parliament.

Mr Amnuay is seen as an interim choice who has a better public image but would have difficulty exerting administrative control over a 209-member coalition when his party holds only 18 seats.

In either case, the new prime minister will have to hand over the ministries of finance, commerce and industry – as well as the power to run them independent of special interests – to respected outside technocrats, analysts say.

"It's hard to say that Banharn was responsible for the economy slowing down," said Mr George Morgan, Thailand representative for the brokerage HG Asia. "But it's becoming clear that the structure of this coalition doesn't allow for sound economic management."

Nevertheless, Mr Banharn's expected resignation does relieve some of the tensions that had been dangerously building up within the political system.

For example, though Gen Chavalit is not popular with the political elite in Bangkok and mistrusted by many in the private sector because of his penchant for business deals that lack transparency, the former army chief now has full backing of the armed forces after engineering a reshuffle of top military brass last week.

"The military doesn't need a coup if Chavalit is running things," said one western diplomat, noting that one of Gen Chavalit's priorities had been to expand the economic interests of the armed forces by attempting to give them everything from a new commercial banking licence to a concession to operate a mobile phone network.

On the other hand, Mr Banharn's departure has given Thai democrats new hope that tactics of public pressure without taking to the streets can oust an unpopular government and eventually force elections, which many analysts believe will come in 6-12 months.

Emerging markets, Page 24

US caught in the middle of Koreas' submarine row

By John Burton in Seoul

Escalating tensions on the Korean peninsula in the wake of a North Korean submarine intrusion are creating awkward problems for the US, which has tried to mediate between Seoul and Pyongyang.

Both Koreas at the weekend made contradictory demands on the US, which appears to be caught in the middle of a potentially serious diplomatic dispute.

South Korea pressed the US to condemn North Korea for its "armed provocation". Meanwhile, North Korea threatened to abandon its nuclear freeze agreement unless Washington signed a temporary bilateral peace agreement which Seoul opposes.

Relations between the two Koreas were already icy before a North Korean submarine ran aground in South Korean waters on Wednesday, forcing its crew of 26 soldiers and sailors to flee ashore where they are being hunted by South Korean troops.

South Korea appears intent on using the incident to isolate North Korea diplomatically, including persuading other countries not to give food aid to the north's hungry population or to make investments.

Officials in Seoul believe such a hardline policy would force North Korea to accept a recent proposal by the US and South Korea to hold four-party peace talks which would also include China.

This is in contrast to a more conciliatory approach favoured by Washington to persuade North Korea to come to the negotiating table. North Korea has so far refused to accept the four-party offer, preferring to deal solely with the US, while ignoring South Korea.

The US has tried to develop closer ties with North Korea since the two countries signed a nuclear agreement in 1994 under which Pyongyang promised to abandon its suspected nuclear weapons programme in return for increased aid.

Seoul has barely concealed its displeasure about the prospect of improved relations between its fiercest enemy and closest ally.

South Korean efforts to press the US to condemn North Korea for the submarine incursion, including support for an United Nations Security Council resolution, is likely to disrupt ties between the US and North Korea.

South Korean officials have portrayed the submarine incident as an attempt by North Korea to land "guerrillas" for a possible sabotage or assassination mission.

But US reaction to the incident has so far been reserved, based on lingering doubts about what has occurred. US military officials in Seoul believe the submarine intrusion may have been an accident resulting from mechanical problems or crew inexperience during a routine reconnaissance training exercise.

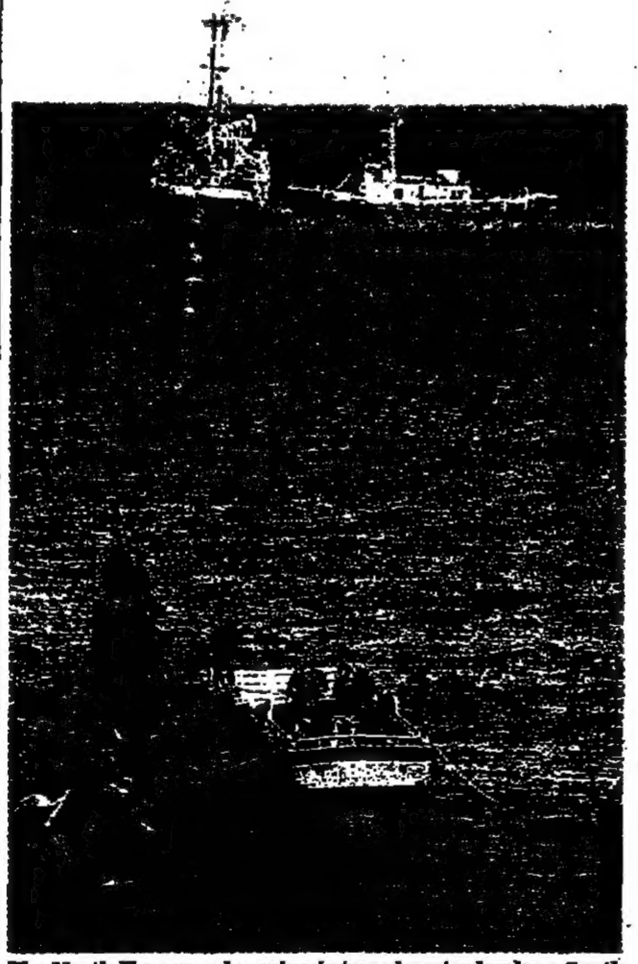
Instead of being highly-trained commandos, the behaviour of most of the North Koreans suggests they were ill-prepared to survive in hostile territory.

Eleven of them appeared to have committed mass suicide shortly after they landed, while eight others were killed or captured in the first 48 hours. Two more were killed yesterday in a gun battle, while three South Korean soldiers died.

"Obviously the episode is a matter of concern but the facts are so murky . . . it's impossible to assess," said Mr Warren Christopher, US Secretary of State.

Even if the US refuses to issue a forthright condemnation of North Korea, the incident will make it more difficult for Washington to proceed with promises to establish a liaison office in Pyongyang or to ease its trade embargo.

But a lack of progress in developing relations with the US is likely to upset North Korea, which views US support as crucial in reviving its crippled economy.



The North Korean submarine is towed yesterday by a South Korean naval vessel to Tonghae port *Reuter*

Bhutto death highlights factional split

By Farhan Bokhari in Larkana, Sindh

The violent killing of Mr Murtaza Bhutto, brother of Pakistan's prime minister, Ms Benazir Bhutto, has brought into the open a latent split between followers of the two Bhutto siblings.

Mr Bhutto was shot dead along with six of his supporters by police in a gun battle near his home in Karachi on Friday. His supporters deny police claims that Mr Bhutto triggered the encounter when his private security guards fired first at a police contingent.

Mr Asif Ali Zardari, investment minister, and his wife, Ms Bhutto, have come under fresh attacks from Mr Bhutto's supporters, who accuse them of waging a "campaign of state terrorism" against Mr Bhutto.

The brother and sister had become political enemies since he returned to Pakistan in 1993, ending a 16-year self-imposed exile.

Mr Bhutto's followers yesterday blocked the roads leading to his home, known as "Al-Murtaza", forcing Mr Farooq Leghari, the Pakistani president, to turn back from a planned condolence call upon Mrs Nusrat Bhutto, the prime minister's mother, and Mrs Ghinwa Bhutto, the widow of Mr Murtaza Bhutto.

The prime minister also cancelled plans to visit Al-Murtaza and instead stayed at her home outside Larkana in the province of Sindh, where she received condolences. She appeared shaken.

Considerable interest is being attached to the public position likely to be adopted by Mrs Nusrat Bhutto, whose relations with her daughter have cooled in recent years. Yesterday Mrs Nusrat Bhutto denied weekend reports that she would be filing criminal cases with the police against her daughter and son-in-law implicating them in the killing of Mr Bhutto.

Mrs Bhutto was quoted as saying on Saturday: "If I am guaranteed justice I will register a [police] case against Asif Ali Zardari and Benazir Bhutto for killing my son."

The killing has also sparked widespread fear of possible unrest in Sindh, the Bhutto family's traditional political stronghold and a hotbed of nationalism. The killing may revive a militant faction that Murtaza raised in the 1980s for an armed struggle against the government of General Zia Ul Haq, the former military dictator.

Many in Sindh remain bitter over the 1979 hanging of Mr Zulfikar Ali Bhutto, the late prime minister, executed on a murder charge during Gen Zia's time in power, and the 1985 death of Mr Shahnawaz Bhutto, his only other son besides Murtaza, widely believed to have been poisoned.

INTERNATIONAL NEWS DIGEST

Taiwan protest over islands

Thousands of protesters held a rally in Taipei yesterday over the disputed Diaoyu islands (called the Sankakus by Japan) – as activists in Hong Kong planned to set sail for the uninhabited islands in the East China Sea to challenge Japan's claim to sovereignty.

Taiwan's interior minister, Mr Lin Feng-cheng, earlier told members of the national legislature that Taipei did not rule out use of force to protect its claim to sovereignty over the potentially oil-rich islands, but military measures would be a last resort.

Beijing, Taipei and Tokyo all claim sovereignty over the islands. The long-festering dispute erupted in July when a rightwing Japanese group erected a makeshift lighthouse on one of the islands, provoking protests from Taipei and Beijing.

Taiwan's foreign ministry is expected early next month to hold a second round of talks with Japan on rival claims to fishing waters around the islands, the interior minister said.

Taiwanese and Japanese local officials, whose jurisdiction is claimed to include the islands had unofficial talks in Taiwan on Saturday but reached no agreements. Taipei does not have diplomatic relations with Tokyo. *Laura Tyson, Taipei*

Indonesian bank for bourse

Bank Negara Indonesia (BNI), Indonesia's largest bank, plans to list a quarter of its paid up capital on domestic exchanges in a move set to restore momentum to Indonesia's privatisation programme.

The state-owned bank, has applied to Bapepam, the Indonesian Capital Markets Supervisory Board, to list shares on the Jakarta and Surabaya exchanges, although no listing date has been announced. The float will have a tranche offered to international investors.

BNI will be the first state-owned company to sell shares following the disappointing response to last November's sale of shares in Telkom, the domestic telecommunications group.

In contrast to the Telkom offering, which was criticised for its cumbersome lead group involving four global underwriters, BNI has appointed Danareksa Sekuritas, a local broking firm, as sole co-ordinator. Lehman Brothers has been appointed BNI's international financial adviser.

BNI's privatisation is expected before the end of this year although some regard the choice of a bank as controversial. Indonesia's state banking sector is still reeling from a series of bad debt scandals in recent years. Mr Nono Purnomo, BNI managing director, said last month that the bank had "a system of credit control which is considered good". *Manuela Saragosa, Jakarta*

Record vote in Macao

Voters turned out in record numbers in the Portuguese enclave of Macao yesterday in the last legislative election under Lisbon's rule before Macao returns to China in 1999.

Preliminary figures showed more than 60 per cent of the 116,000 registered voters cast their ballots for the 62 candidates contesting eight directly elected seats in the legislative assembly.

Unlike the situation in Hong Kong, China will allow Macao's legislative assembly to straddle the handover of power. The usual four-year term has been extended to five years, taking the assembly up to 2001, well beyond the 1999 handover. Macao has been ruled by Portugal for almost five centuries. *AFP, Macao*

Turkish pledge to Israel

Relations between Israel and Turkey will continue to be strengthened and all recent military training and defence agreements will be honoured, Mr Suleyman Demirel, the Turkish president, has told Haaretz, the liberal Israeli daily newspaper.

Mr Demirel's remarks will be welcomed by the Israeli government, which sees Turkey as an important strategic partner in a region pulled by conflicting secular, separatist and Islamic tendencies. It had been concerned that the military agreements might be undermined by Ankara's new coalition government consisting of the conservative True Path party and Islamists.

The military training agreement signed last February allows Israeli air force jets to train in Turkish air space. Last month, Mr David Ivri, the outgoing director of the Israeli defence ministry, signed a $650m deal to upgrade 54 Turkish F-4 Phantom jet fighters, in addition to establishing a new framework for military co-operation between the aircraft industries of the two states. *Judy Dempsey, Jerusalem*

Farm poor 'falling behind'

Agricultural wage workers are the poorest workers on earth and in many countries their real wages are falling despite rising agricultural trade and labour productivity, the International Labour Organisation says in a report published today.

The ILO, which is hosting a meeting of governments, employers and trade unions in Geneva this week to discuss the plight of farm workers, says women now account for 20-30 per cent of agricultural wage employment. Child labour is "pervasive", making up 30 per cent of the workforce in some developing countries.

Conditions of transport to and from the fields are often "appalling" and large numbers of workers are at risk from exposure to pesticides and hazardous farm chemicals, according to the report. Pesticide poisoning accounts in some countries for up to 14 per cent of all work-related injuries in the agricultural sector and 10 per cent of all fatal injuries. *Frances Williams, Geneva*

**Wage workers in agriculture: Conditions of employment and work. ILO Publications, CH-1211 Geneva 22, SFr17.50*

Egypt relents on summit

Egypt has confirmed that Cairo will host the Middle East and North Africa economic summit on time on November 12-14, despite the current impasse in the Middle East peace process.

The minister of tourism, Dr Mamdouh Beltagui, said Egypt was asking the US and Israel to help to make the summit a success.

Egyptian President Hosni Mubarak had threatened last month to cancel the US-sponsored economic conference unless the rightwing government in Israel started meeting commitments under the peace process. The Middle East peace process has stalled since the election of the new Israeli government in May and the redeployment of Israeli troops from the Palestinian town of Hebron is now six months behind schedule. *Sean Evers, Cairo*

Drugs found in Samper jet

An anonymous telephone tip-off to Colombian air force intelligence led to the discovery of 3.7kg of heroin aboard President Ernesto Samper's Boeing 707 at Bogotá's military airport at the weekend – only 12 hours before he was to fly to New York for a session of the United Nations General Assembly.

The crew of the presidential jet was detained and five air force maintenance technicians were under investigation, but there was widespread suspicion that the heroin was deliberately planted to cause a scandal.

Before leaving for the UN later, Mr Samper said he was preparing to call up army reservists. With a continuing guerrilla offensive paralysing large areas of Colombia, Mr Samper said that if the situation did not improve by the end of the month the government would order the call-up of army reserves. *Timothy Ross, Bogotá*

LEGAL NOTICES

In the High Court of Justice No. 004591 of 1996
Chancery Division
Companies Court

IN THE MATTER OF
GWR GROUP PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

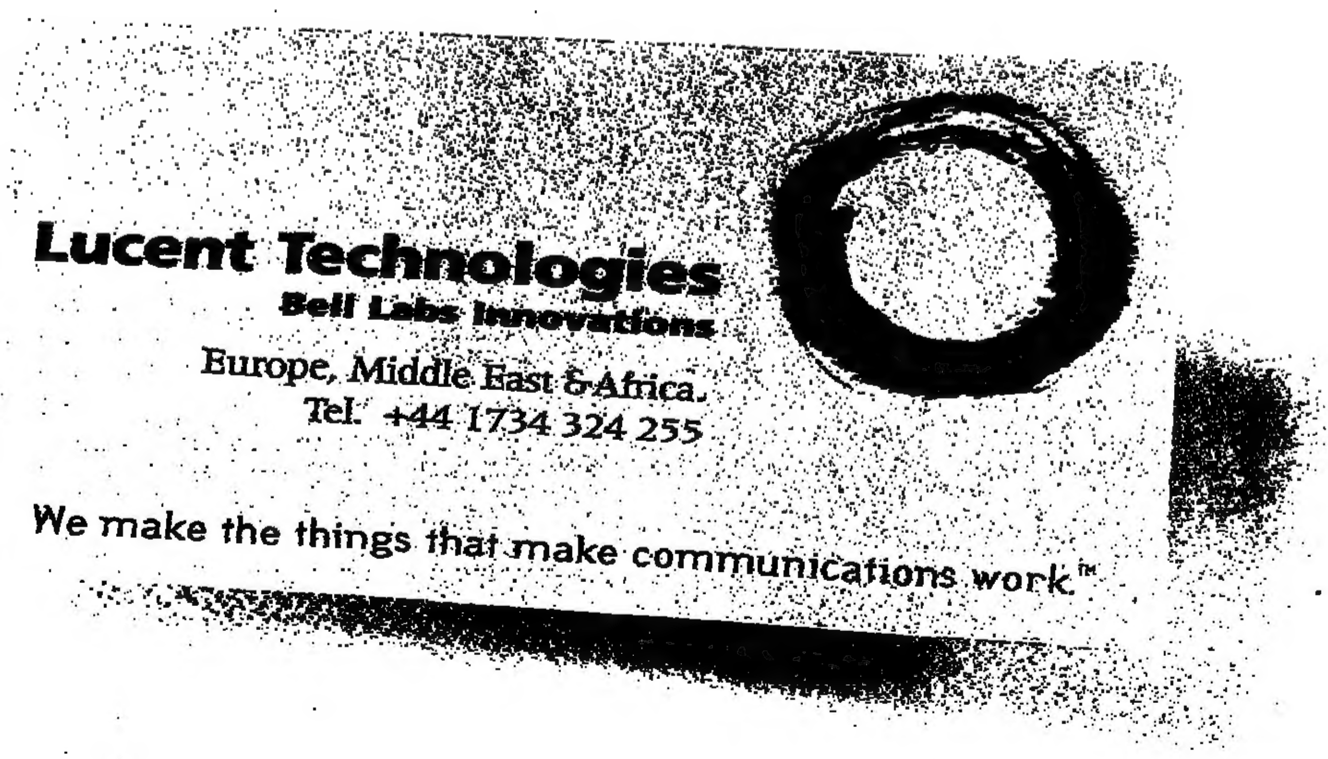
NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice Chancery Division dated 18 September 1996 confirming the cancellation of the share premium account of the said Company was registered by the Registrar of Companies on 19 September 1996.
DATED this 23 September 1996
Nicholson Graham & Jones
110 Cannon Street
London EC4N 6AR
Solicitors for the Company
Tel: 0171 648 9000 Ref: LJW/KMC

To Holders of £200,000,000 11½% Undated Subordinated Notes Convertible into 200,000,000 8.392% Non-Cumulative Preference Shares of £1 each of National Westminster Bank Plc (the "Notes")

NOTICE IS HEREBY GIVEN that the Law Debenture Corporation plc has agreed with National Westminster Bank Plc to modify the trust deed constituting the Notes by a supplemental trust deed to allow registered Notes to be held and transferred in the electronic CREST system from 28 October 1996. Further information and copies of the supplemental trust deed are available on request from the Registrar for NatWest Group, PO Box 82, Caxton House, Redcliffe Way, Bristol BS99 7NH.

invented telephone.

(ALSO transistor, laser, Telstar satellite, fibre-optic cable, cellular).
Have won awards. (Nobel etc)
Specialise in making things that make communications work. Will do same for you.
Contact Lucent Technologies (the former network systems, business communications systems and microelectronics divisions of AT&T, plus Bell Labs).
Call our European Response Centre on +44 1734 324 255. Or explore Lucent Technologies on the World Wide Web at http://www.lucent.com



NEWS: INTERNATIONAL

US move on soft loans for Third World

By Robert Chote, Economics Editor, in Washington

The Clinton administration has told the International Monetary Fund that it might ask Congress to approve a $300m payment towards the cost of putting the IMF's subsidised loan facility for poor countries on a permanent footing.

The US will do this only if other countries agree to sell and reinvest at least $2bn of the IMF's $40bn gold reserves to provide further finance for debt relief. In the face of continued opposition from Germany, Switzerland and Italy, the IMF board agreed last Wednesday to put off a decision on gold sales until it was clear that a consensus could be reached.

Mr Michel Camdessus, the IMF's managing director, said after the meeting that "understandings" had nonetheless been reached which would allow the Fund to make its Enhanced Structural Adjustment Facility (Esaf) permanent and also to participate in its joint poor country debt initiative with the World Bank.

The Esaf allows countries with per capita incomes of less than $865 a year to borrow at an interest rate of just 0.5 per cent over extended periods, provided that they pursue market-oriented economic reforms. The IMF contribution to its joint initiative with the World Bank would be to further extend the maturity of these loans or to offer grants to help countries service or repay them.

It was agreed at Wednesday's meeting that the IMF should find the $500m or so it needs to participate in the joint initiative by drawing on resources in the Esaf reserve account. This account provides security to those countries which finance Esaf loans by ensuring that the principal and interest payments due are met even when borrowing countries cannot find the money themselves.

The repayment of existing loans means that Esaf will have sufficient resources to become self-financing from 2005, but this leaves a five-year "funding gap" which must be bridged before the reflows are sufficient. IMF management has proposed that half the money needed could come from the proceeds of gold sales and half from bilateral contributions from governments.

The Clinton administration's tentative and conditional offer of $300m would in effect mean that the US might hand over money that it holds in the Fund's rarely used "special contingent account 2", which provides resources for periods when countries are coming out of arrears to the Fund. The US is the largest depositor in SCA-2 with about 20 per cent of the money in the account. Some other countries have also indicated that they would be prepared to hand over the money they hold in this account too.

Opponents of gold sales said it was safe to put off the decision on Wednesday because the Esaf funding gap would not arise for some time. But officials said it was not clear when exactly a decision would need to be taken. Some officials said that gold sales would not have received the 85 per cent support in the board on Wednesday that they needed for approval. Others said that gold sales might have won the day if they had been put to a vote, but that it was not worth creating an open split over the issue.

US ponders its attitude towards Saddam

A strategic cat and mouse game is still being played, reports **Roula Khalaf**

The cat and mouse game Washington seems reduced to playing with Iraqi president Saddam Hussein five years after the Gulf war has frustrated many US allies and provided ammunition for US President Bill Clinton's domestic critics.

Three weeks after Mr Saddam's incursion into the Kurdish north, reports emerged yesterday suggesting that Turkey, a key US ally, is not opposed to Baghdad's reassertion of its influence in the north.

But the dilemma the US faces is that while many policymakers and political analysts spend their days figuring out more effective ways of dealing with the "Saddam phenomenon", alternative policies circulating in academic and policy circles carry as many risks and disadvantages as the current policy of "boxing" Mr Saddam.

Consider the alternatives: US Republicans, for example, are calling for a much tougher military line with Baghdad. But wiping out Mr Saddam's remaining military capabilities runs the risk of creating Iraqi civilian and US pilot casualties and finds little support among western allies and practically none among Arabs.

Meanwhile, another body of opinion, gaining ground especially in Arab circles, (although not in official Kuwaiti or Saudi circles) is urging just the opposite. As Mr Saddam appears firmly in control despite all the pressures to weaken and get rid of him, some are calling for a policy of co-existence, which would translate into a de-escalation of the military tension and attempts to reach a compromise through diplomatic channels.

This alternative would begin with the implementation of the oil-for-food deal agreed with the United Nations in May and put on hold this month. Oil-for-food, allowing for limited oil sales to buy humanitarian goods, would act as a first step towards a full lifting of sanctions on oil sales.

The attractiveness of the policy is that it may allow an Iraqi middle class to re-emerge and perhaps become an engine for change in the regime. However, Mr Ibrahim Karawan, senior fellow for Middle East security at London's International Institute for Strategic Studies, says this option is politically unacceptable to the US as it would also bolster Mr Saddam's expansionism.

Mr Graham Fuller, senior political scientist at the Rand Corporation, advocates a dual approach to dealing with Baghdad, which combines a tougher military line with a more liberal sanctions policy. As Iraqis have paid enough for a policy which has not altered their leader's behaviour, he suggests lifting sanctions except on military sales but declar ing a "no-fly" and "no-drive" zone all over the country with the pledge that any movement of tanks or air power would be immediately eliminated.

The disadvantage, however, is that the military side of the strategy will have to be maintained indefinitely, an option which is not economically feasable with Gulf states increasingly reluctant to foot the bill. Nor would these states, except Kuwait, accept an increased and permanent US military presence which can only play into the hands of Islamist opposition movements.

Another idea circulating in US academic circles calls for rethinking the policy of dual containment by attempting to rebuild ties with Iran, as a way of stepping up pressure on Baghdad.

Analysts argue that dual containment was designed in a regional context which assumed Turkey was an unequivocal supporter of US policy towards Iraq and Iran but that it has been undermined by the divergence of views in Turkey between the new Islamist prime minister, Mr Necmettin Erbakan, who favours better relations with Islamic neighbours and the pro-western military establishment. Moreover, Turkey's policy towards Iraq is driven by concern over Turkish Kurdish separatist guerrillas who operate from bases in northern Iraq.

"There is a whole body of opinion which says that to make sure Iran and Iraq do not become allies, you should treat them differently," says Mr William Quandt, professor of government and foreign affairs at the University of Virginia.

The argument is based on the assumption that while Iran may be the US's greater perceived ideological and political threat, given its assumed support for terrorism and for Shia groups in other Arab states, Iraq is the more serious military threat.

Such a strategy would be welcomed by western allies who have long engaged in "critical dialogue" with Tehran. However, US policy today is moving in the exact opposite direction, with US officials arguing that Europe's "critical dialogue" has had little effect on Tehran's behaviour.

President Clinton decided last year to impose a trade and investment embargo against Iran. Last month, the president tightened the noose by signing into law legislation allowing him to impose sanctions on non-US companies making new investments of more than $40m in the Iranian energy sector.

Necmettin Erbakan, Turkish premier: favours better ties with Islamic neighbours

Mrs Tansu Çiller, Turkey's foreign minister, has denied urging President Saddam Hussein to retake control of Iraq's Kurdish provinces, writes John Barham in Ankara.

The New York Times in an article on Saturday quoted her as saying: "We have sent a delegation to Saddam to tell him that if he can impose central authority there, OK." According to the article, Mrs Çiller said that if a reimposition of Iraqi control "can establish a degree of rule there that puts an end to terrorist infiltration that would be fine with us".

However, Mrs Çiller later said: "Statements attributed to me may cause serious misunderstanding over Turkey's policy in northern Iraq. I want to make clear that Turkey's attitude has not changed."

Mrs Çiller emphasised that Baghdad should only resume control of its three Kurdish provinces after complying with all United Nations resolutions. Until then, she said, northern Iraq's "authority vacuum" should be filled by a government formed by local ethnic groups.

Turkish backing for Washington's policies in northern Iraq has wavered considerably since a coalition government led by leader the Islamist Refah party took office in June, with Mrs Çiller's centre-right True Path party as junior partner.

Clinton blamed for Raytheon's 600 job cuts

By Christopher Parkes in Los Angeles

Raytheon, a leading US electronics and engineering group, has blamed the White House for an unexpected decision to cut a further 600 jobs from its defence manufacturing workforce.

"We are not downsizing, we are being downsized," Mr William Swanson, general manager of Raytheon Electronic Systems, said at the weekend. Defence manufacturing continued to face severe challenges, he added.

Mr Swanson blamed the cuts on a 60 per cent cut in defence procurement spending since 1990 and a proposal from President Bill Clinton to cut an extra 14 per cent off the latest budget already approved by Congress.

Coming as the presidential election campaign approaches a critical phase, the jobs announcement and the unusual if indirect attack on the president, may rouse fears of a renewed wave of job losses in the defence industry at large.

News of the cuts, which came shortly after the company celebrated winning a $1bn federal contract to upgrade air traffic control systems at US airports, overshadowed Raytheon's announcement that it is a third of the way through a programme to hire about 650 research engineers and technicians this year.

Defence accounts for about 20 per cent of the group's $12bn annual revenues.

Raytheon's decision to make further cuts is the first big retrenchment by a defence contractor in many months. Although no significant hirings have been announced, recent studies agree the fall has stopped.

In California, home state to about 25 per cent of US defence industries, employment in aerospace has fallen from 370,000 to 160,000 in the past 10 years. According to forecasts from the University of California Los Angeles, the state's aerospace workforce will expand slowly to about 180,000 a decade from now.

Radio sell-off raises $116m

South Africa's government has completed the first tranche of its privatisation programme with the sale of six state-owned radio stations, Mark Ashurst writes from Cape Town.

The process has raised R520m ($116m) and bolstered ministers' hopes of securing trade unions' co-operation with its privatisation policy. But rival claims on the proceeds have highlighted the scope for disputes when equity stakes in more valuable state assets are sold next year.

Mr Jay Naidoo, minister of telecommunications and broadcasting, says the revenue will go to government coffers. "These assets belong to the state. The proceeds will be spent on reducing state debt, new infrastructure or black economic empowerment," he said in an interview.

But the SABC, which expects the sale of the stations to cut about R90m from its annual earnings, wants the money to fund its transformation to a public service broadcaster.

Trade unions have been co-opted into the radio privatisation as partners in consortiums which have bid for the six provincial radio stations. Their support for more ambitious privatisations will hinge on job security and the extent to which private capital is used to expand state-controlled companies.

NEWS: UK

CBI opposes Labour's reform plan

By David Wighton, Political Correspondent

The campaign by Labour, the main opposition party, to win business backing for its key economic policies will suffer a setback this week following the emergence of opposition to its plans to combat "short-termism" in the City with a two-tier capital gains tax.

The Confederation of British Industry, which previously has supported Labour's proposals for a two-tier approach, is set to distance itself from the idea while the National Association of Pension Funds will dismiss it as unworkable and potentially damaging to the City's international competitiveness.

The plan would introduce a lower rate of capital gains tax for assets held for longer than a set period.

The CBI's move will be particularly awkward for Labour, which sees two-tier capital gains tax as a key to encouraging long-term investment and likes to present it as a CBI proposal. Mr Tony Blair, the Labour leader, singled out the idea and CBI support for it in a speech last week.

A senior Labour official yesterday said the party was still "attracted" to the plan but was not yet committed and would listen to arguments against it. If Labour were to drop the idea it would be left with few concrete proposals for tackling what it sees as a central weakness in the economy.

Critics of the plan claim it would be unlikely to have any impact on the supposed short-termism of institutional investors. In a paper to be published next week, the National Association of Pension Funds will argue that investment banks would merely devise new ways of using derivatives to avoid the higher rate.

But the NAPF's main unspoken concern is that the policy would make little sense unless it was applied to pension funds, which currently do not pay capital gains tax.

The CBI's change of heart follows the departure of Mr Howard Davies, its former director-general, who was an advocate of the idea.

Lib Dems get whiff of real political influence

By George Parker and Liam Halligan

Britain's Liberal Democrats will gather today for the start of the annual party conference season, and commentators will pay more attention than usual to the UK's third party.

After more than 70 years in the political wilderness, the centrist party can at last scent the prospect of real influence at Westminster. The next election must be held by late May next year, and opinion polls consistently indicate that it will return a moderate Labour government markedly different from the last Labour administration, which was ousted by the Thatcher-led Conservatives in 1979.

Mr Paddy Ashdown, the hyperactive former Royal Marines commando who leads the Liberal Democrats, talks regularly with Mr Tony Blair, the Labour party leader. If the next election fails to yield Labour a clear majority in the House of Commons, Mr Blair may turn to the Liberal Democrats for help.

It will not be the first time the two parties have worked together. But the "Lib-Lab pact" of 1978-79 in which the Liberals, precursors of today's Liberal Democrats, used their votes in the Commons to keep a declining Labour government in power, was shortlived.

The Liberal Democrats now hold 25 out of the 651 seats at Westminster, and party strategists privately concede that they are unlikely to win more than 40 at the next election. But the number of seats alone may not reflect their significance. That will depend heavily on the outcome of the election. If Labour fails to win a clear majority in the House over all other parties, it may need to work with the Liberal Democrats in order to outvote the other parties.

The Liberal Democrats claim they would make a Blair government more radical. They support robust environmental taxation, an increase in the top rate of income tax and electoral reform of a kind that would increase the party's representation at Westminster.

But it is on the question of Europe that the Liberal Democrats could be most influential. Mr Ashdown's party is fervently pro-European, favouring a single currency in the European Union and deeper integration in areas such as defence.

If Mr Blair were prime minister, he would almost certainly require Liberal Democrat support to take Britain into a single currency, not least because several influential figures in Labour oppose such a move.

In many areas of domestic policy, Labour and Lib Dem policy is now almost indistinguishable. Some senior figures in both parties talk privately of building a permanent left-of-centre anti-Conservative coalition.

After their brief glimpse of power in 1978-79, the Liberals re-emerged during the 1980s to fight general elections in collaboration with the newly-formed Social Democratic Party, which included many defectors from Labour.

In the 1990s the Liberal Democrats have made solid and impressive gains in local government, overtaking the struggling Conservatives in 1995 in terms of the number of councillors. The party is solvent and its organisation professional.

This week's conference - the last showcase for the party before the election - will mark the latest staging post in the Liberal Democrats' long search for relevance at Westminster.

Party leader Paddy Ashdown and his wife Jane at Brighton

Business to save £17.5m on form filling

By David Wighton, Political correspondent

British businesses will save about £17.5m a year from moves to cut the time spent filling in forms for national statistics, the government is to announce today.

The new measures will include "survey holidays" for small companies, guaranteeing that they will not need to take part in more than one survey for the Office of National Statistics every three years.

The changes, which form part of the government's deregulation initiative, will be welcomed by small and medium-sized businesses. An advisory committee, set up earlier this year by Mr Roger Freeman, the deregulation minister, has concluded that the costs to business could be cut by a quarter without affecting the quality of the statistics.

Among the committee's recommendations, all of which have been accepted, is that surveys should be redesigned so that the information requested is in a similar format to the data companies have for their own use.

The government is also reviewing ways to encourage the development of accounting software packages so that information collected for company accounts can be retrieved easily for surveys.

The advisory committee found that with better sampling of companies, less data could be collected without affecting the reliability of the statistics. Moves already under way include the simplification of Intrastat forms, which record imports and exports between European Union member states.

The government estimates the cost for business of responding to surveys in 1994 was £70m.

As well as reducing the existing burden on business, Mr Freeman wants to curb the growth of unnecessary new surveys. Government departments planning new surveys will have to prepare and publish full compliance cost plans agreed by ministers.

Farming loses out to golf courses

By Richard Donkin

The rustic image of a productive rural Britain perpetuated on chocolate box lids is an economic myth in the 1990s, according to a report by the London School of Economics.

The farmer has become marginalised economically compared with the golf course and leisure park owner, according to the study which claims to be the first piece of research attempting to assess the economic value of the British countryside.

While farming itself has a comparatively minor role as a source of employment and wealth, the rural areas of the UK contributed nearly £142bn ($221bn) to the economy, 30 per cent of UK gross domestic product in 1991, the base year for the study, chosen because it was the year of the last national census.

Much of this contribution came from manufacturing, services and leisure, which dominate rural economies leaving agriculture, forestry and fishing as the poor relations, contributing just 5 per cent to rural GDP and 2 per cent overall, the study says.

Even in remote rural areas, agriculture was found to contribute no more than 7 per cent towards the economy, said the report, compiled by Prof Derek Diamond and Mr Ray Richardson of the LSE for the Countryside Business Group, a lobbying and fund raising organisation which promotes field sports in the UK.

The report says just under 20m people live in rural areas, which account for about 6.5m jobs, 30 per cent of all UK employment. The researchers said that one of the biggest difficulties in undertaking the study was arriving at a definition for the countryside.

The Economic Significance of the British Countryside, by Prof D R Diamond and Dr R G Richardson, is published by The Countryside Business Group, PO Box 422, London EC4V 4HP, price £25.

UK NEWS DIGEST

'Bias against private sector'

Contractors have lost confidence in dealing with up to 50 per cent of English and Welsh councils because of suspected bias against the private sector, the Nolan committee on standards in public life will be told today.

The Business Services Association, which represents large companies in sectors such as cleaning and catering, says some companies now operate their own informal lists of councils where they will not submit tenders for business. Others scrutinised authorities' past records closely when invitations to tender were issued before deciding whether it was worth submitting bids.

Lord Nolan's committee is embarking on an examination of local government which will include studying aspects of tendering. Although the Department of the Environment is currently trying to strengthen the rules, there is evidence of growing private sector disillusion with the tendering process. *Alan Pike*

■ BOOK RETAILING

US-style superstore planned

Waterstone's, the chain of bookshops owned by the W.H. Smith retail group, is finalising plans to open the UK's first US-style book superstore in Glasgow, Scotland. Mr Alan Giles, managing director, said the new store, due to open next spring, would be "completely different" to the company's existing shops and represented an opportunity to "redefine Waterstone's for the late 1990s". A team of Waterstone's branch managers has been sent on a whistle-stop tour of world bookshops to help them develop a blueprint for the site. *Alice Rawsthorn*

■ TELEPHONE BANKING

Users 'rise by 125,000 a month'

Telephone banking is winning 125,000 new users in the UK every month and Datamonitor, the market research and management consultancy, has forecast that telephone banking could be serving 30 per cent of the population by 2000. More than 3m people are already using specialised telephone banking regularly for more than half of their banking transactions, other than cash withdrawals, according to research published in Datamonitor's regular survey of retail banking distribution. *George Graham*

■ BARINGS

Writ issued against FT

Mr Ron Baker, former head of derivatives trading at the merchant bank Barings, has issued a writ for libel against the Financial Times and two of its reporters, John Gapper and Nicholas Denton, over extracts from a book by them that appeared in the FT last week.

Mr Baker's writ relates to extracts from a book called All That Glitters about the collapse of Barings. These extracts included transcripts of taped telephone conversations among managers of Barings before the collapse last year. Mr Baker said in a statement yesterday that the publication of what he called "defamatory allegations" against him could undermine his ability to obtain a fair review of his case at a Securities and Futures Authority tribunal hearing, due to commence on October 15.

Mr Richard Lambert, editor of the Financial Times, said yesterday: "We have every confidence in what we have published, and will be defending the case."

مكبرا من الاصل

ton bla
Raytheo
job cuts

o sell-of
$116m

against
te secto

Frankly, they don't give a damn

DATELINE

Paris: The controversy over an ancient king is serving the French élite as a distraction from pressing modern problems, writes **Andrew Jack**

Rarely has so much printers' ink been spilt by so many over an issue to which the vast majority of the French remain insouciant.

In the north-eastern city of Reims yesterday, the five-day visit to France of Pope Jean-Paul II culminated in an open-air mass held, bizarrely, to celebrate the baptism of the ancient king, Clovis, 1,500 years ago.

The hot air generated by the opposition to the commemorations would have been sufficient to propel the leader of the Catholic church around France and back to the Vatican without the need for the fiercely contested public funding which helped finance his trip.

The "collective of 22 September" came out on the streets in Paris yesterday to defend secularism, and the anti-clerical Freemasons held a second demonstration. That came after months of debate during which more than 400 people have lined up to be "de-baptised". A crude bomb was even discovered in one of the churches on the Pope's itinerary.

Lionel Jospin, leader of the Socialist party (and a Protestant), threw himself into the fray recently, denying the importance of Clovis to the history of France and arguing that no public funds should be used towards the papal visit – a cry taken up by several local authorities which withdrew or refused funding. "Even the Poland of General Jaruzelski received Jean-Paul II in a more serene atmosphere," commented Le Figaro magazine.

For the benefit of the large number of people who live outside the intense fury of Parisian intellectual circles, or who have quickly turned the page of their newspaper on seeing yet another article on the subject, Clovis was the king of the Francs.

After being baptised, Clovis won the battle of Tolbiac to become master of Gaul, established his capital in Paris and thus laid claim to being the founder of modern France while simultaneously winning for his country the title "Eldest daughter of the Church".

Unfortunately for the purists, a good number of historians argue that there were Christian kings in the region which is now France before Clovis; that many French were already Catholic; that modern France began far more recently; and that the sacred baptism took place not in 496 but at least three years later.

It seems relatively certain that Clovis was baptised in Reims. Yet some historians claim there is little evidence he was baptised at all, and may not have been present at the battle of Tolbiac.

In any case, the conversion of Clovis appears to have been little more than a pragmatic decision by a pillaging polygamist to win church approval for his conquests against his pagan rivals, and can hardly have been said to have led to a more enlightened subsequent reign.

Such details have done little to hinder the ambitious plans to celebrate his baptism this year. These have been accompanied by a growing opposition movement which has merged Clovis, the Pope's visit and the very sanctity of the separation of church and state – officially enshrined in law in 1905.

One reason for the criticism of such an obscure anniversary from the political left is no doubt a mechanical response to its preferred publicity-grabbing and controversy-courting whipping boy, Jean-Marie Le Pen, leader of the increasingly extreme right-wing National Front.

Le Pen, who has had quite a summer criticising the number of "foreigners" in the French national football team and saying he believes in racial inequality, kicked off his season at the start of May. Alongside his preferred symbol of Joan of Arc, he claimed Clovis as his own during a rally of supporters, strengthening his ties with assorted fringe traditionalist Catholic groups. He was not an official invitee during last week's celebrations.

The left and the secular lobby also raised a concerned eyebrow over the implications for the links between church and state after centre-right President Jacques Chirac paid an official visit to the Vatican last January. The president compounded his sins by welcoming the Pope on his arrival in France last week.

But the left has not always had such a consistent line. After all, it was the socialist president, François Mitterrand, who set in train the Clovis commemoration.

Mitterrand received the Pope during a previous state visit in 1988, as did Michel Rocard, his socialist (and Protestant) prime minister. Georges Marchais, the colourful former head of the officially atheist Communist party, even shook the Pope's hand at the Elysée Palace in 1980.

If God was abolished during the French Revolution and marginalised when church was separated from state nearly a century ago, perhaps guidance on the present controversy should best come from that latter-day replacement deity, the opinion poll.

If figures from a crop of recent polls can be trusted, 63 per cent of those polled consider themselves believers, yet 60 per cent are against state funding of the papal trip. And 82 per cent argue that the events of the last few days in no way threaten the sacrosanct secularism of the state.

What the pollsters dared not ask was how many people were guilty of the ultimate transgression: indifference. The health of French secularism seems safe. But at a time of immense domestic political and economic malaise, it seems that Clovis is serving for the French élite as a convenient distraction from more pressing contemporary issues.

The Monday Profile: Berthold Leibinger, Trumpf

The appliance of self reliance

If anyone was to be handed the title *Mr Mittelstand*, it might go to Berthold Leibinger, chief executive and owner of Trumpf, Europe's biggest machine tool company. As well as having presided over the Stuttgart-based company for some 20 years, Leibinger sits on the advisory boards of Deutsche Bank and BMW, and has an international reputation as an upholder of the values of the *Mittelstand* – the network of small to medium sized, privately owned manufacturers which are an ubiquitous feature of Germany's industrial landscape.

But in the past few years the fabled growth-generating qualities of the *Mittelstand* have looked lacklustre. As the German economy faltered, many *Mittelstand* companies – often headed by members of the same family for generations and doggedly independent – were accused of having grown soft and inward looking just when they should have been trying to ward off unprecedented international competition.

Leibinger, who joined Trumpf as an engineer in 1950 and took control from its previous owners in the 1970s, believes the criticism is justified. He insists the *Mittelstand*, plus the rest of German business, must rediscover its old dynamism by shedding some of its traditional consensus-based practices. "After the second world war everyone rolled up their sleeves. We had years of almost constant success. This led to the feeling that everything could be settled by agreement, between companies, government and unions. But now we must have a correction. The [business] élite in Germany must learn to stand up and fight," he says.

Leibinger wants managers to go on the offensive over matters such as pay and working hours, and foresees a period of "local conflict" in German industry. At present wage bargaining and similar matters are frequently decided by regional or national talks between unions and employer bodies. Leibinger believes that this symptom of the "German disease", as he calls it, often prevents companies from moving quickly and in an entrepreneurial style. "In modern management systems, Britain is 10 years ahead in some respects," he says.

Trumpf has avoided many of the criticisms levied at the *Mittelstand*. The company had a difficult spell in the early 1990s, but after rethinking manufacturing and design procedures and a new emphasis on international expansion it has grown healthily. Sales last year were DM930m (£404m), and profits of some DM70m were about 18 per cent up on 1994.

About a third of Trumpf's 3,000 employees, and 58 per cent of its sales, are outside Germany. The company plans a new manufacturing venture in Singapore, to add to its plants in the US, France, Switzerland and Austria.

Spurred by Leibinger's belief that conflict can be healthy, Trumpf last year put a new plan for working flexible hours to its unions. The scheme involves staff working between 30 and 40 hours a week depending on demand. It was accepted and has helped make the company stronger, he says.

Leibinger, who is 65, has a forcefully self-reliant style characteristic of many *Mittelstand* leaders. When 17 years ago Trumpf was about to move into precision laser-cutting machines, he toured the US seeking laser suppliers. Dissatisfied with what he found, he set up a design group, which produced what he wanted – "lasers developed by *physicists* who understand the shop floor". Today, Trump makes all its own specialist carbon dioxide lasers and is one of the world's biggest companies in the field. It is also in the top four in laser-cutting systems. The company's commitment to making most of the components for its machines itself – in contrast to the outsourcing trend in much of Europe – was further underlined by its recent announcement of a DM40m laser plant close to its smart, airy headquarters on Stuttgart's outskirts.

In the late 1980s Leibinger was quicker than many in German industry to wake up to Japanese-style teamworking and "continuous improvement" techniques to increase the efficiency of manufacturing. He introduced many of these ideas at Trumpf, which, with changes in development and manufacturing methods, have reduced production costs by some 20 per cent.

A key person in achieving this was Mathias Kamüller, Trumpf's vice-president for manufacturing. He is married to Leibinger's eldest daughter, Nicola, Trumpf's head of public relations. Although Leibinger says he has no thought of retiring, many observers are betting Kamüller will succeed him.

Asked whether he plans to sell his 75 per cent shareholding in Trumpf and realise what would probably be at least DM200m, Leibinger looks slightly pained. He dislikes the British tendency for entrepreneurs to build up a business and then sell out: "In Germany we do things differently. We like to keep the family commitment."

Peter Marsh

FT GUIDE TO

Europe's beef business

Has the European Union's beef market collapsed as a result of the scare over mad cow disease?

Nearly, but not quite. What has collapsed is consumer confidence. Shoppers are turning their noses up at all things beef, preferring to eat pork, chicken, fish or lamb. In the last six months, average beef consumption in the EU has fallen by 11 per cent. In Germany it has fallen by 30 per cent. The collapse in sales has driven prices down by between 13 per cent and 21 per cent compared with last year. A beef mountain of surplus stocks is expected to reach nearly 1m tonnes this year.

Why?

People are scared. Panic set in late last March when a junior minister in the UK government announced in parliament that there was a *possible* link between bovine spongiform encephalopathy (BSE), more commonly known as mad cow disease, and a rare but fatal human brain disease, Creutzfeldt Jakob Disease (CJD). There is no conclusive proof the two are linked, but alarm bells sounded when British scientists identified a new strain of CJD. As of June this year, 11 people in Britain had died from it. The assumption is that BSE was the most likely cause.

What has been done about it?

A great deal. A worldwide ban has been slapped on British beef and beef products; the British government has slaughtered more than 500,000 cattle as part of its scheme to remove all cattle over 30 months of age from the food chain (older cattle are more at risk than younger ones); mammalian protein, considered to be the cause of the problem, was banned from all animal feed in March (it was banned from cattle feed in 1988); and tough controls have been put on all slaughterhouses and processing plants.

Isn't that enough?

No. Britain's EU partners want it to kill about 125,000 cows considered to be most at risk from the disease. The British government says it won't. Its main line of defence is that, according to most prognoses, the disease will die out by 2001 anyway, and that to eliminate BSE overnight it would have to slaughter half the country's dairy herds and 15 per cent of its beef herds. Britain also says the ban on mammalian protein has led to an 80 per cent drop in the number of BSE cases since the disease peaked in the winter of 1992-1993.

Isn't the EU being a bit unreasonable?

Perhaps. But the EU tends to take a tough line when it comes to animal diseases. Germany, Spain and Italy have had to slaughter millions of animals when evidence of diseases such as foot and mouth has emerged. Its policy of mass slaughter is justified on the grounds that the EU is a single market and animals, with their diseases, can travel quickly across borders.

Are there any other useful precedents on the BSE front?

Not many. Britain has had more cases than any other country in Europe – 163,000 at the last count. In Ireland and France entire herds are slaughtered when cases of BSE are found. Switzerland has just announced it will kill 230,000 cattle, or one in eight of its herd, to eradicate the disease within three years. With 223 cases of BSE, Switzerland has had the second highest number after the UK.

How much of all this is driven by science and how much by politics?

That depends entirely which side of the fence you are on. For the British there is more than a sneaking suspicion that the EU's demands are punitive. But in continental Europe there is a widespread view that the British government has chosen to use the BSE affair to placate the anti European lobby in the ruling Conservative party. EU countries are sore because their markets are in a bit of a mess. The biggest problem facing both sides is the lack of conclusive scientific evidence on the issue.

So is British beef safe to eat?

That depends on your definition of "safe". Britain's Ministry of Agriculture says that "in any common usage of the word, beef is safe". Britain's prime minister, John Major, has ostentatiously served beef to visiting heads of state, including Germany's Chancellor Helmut Kohl. But large numbers of people remain unimpressed. Even a ban on British beef has not prevented consumers in continental Europe turning their backs on the stuff.

Have any useful lessons been learnt?

Yes. There seems to be general agreement that making carnivores out of ruminants is a bad idea. The official theory is that BSE was caused by cattle being fed meat and bone meal made from sheep infected by the disease scrapie. One possible outcome is that farmers will be encouraged to abandon intensive farming techniques, where larger numbers of cattle are fed processed food, and adopt much more traditional methods, in which cattle are raised primarily on grass.

Is there an end in sight to this sorry affair?

Nobody knows. The way things are going the EU will have introduced its single currency at the start of 1999 before British beef makes it back on to continental supermarket shelves.

Caroline Southey

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 22.09.96: Pool purchase price £/MWh	Final Prices for Trading on 29.08.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	13.65	8.99	11.03
0100	9.03	9.05	9.05
0130	9.00	9.03	9.03
0200	9.00	8.98	8.98
0230	8.98	8.98	8.98
0300	9.00	9.02	9.02
0330	9.00	9.02	9.02
0400	9.00	9.02	9.02
0430	9.00	9.02	9.02
0500	9.00	9.02	9.02
0530	9.00	8.95	8.95
0600	9.00	8.95	8.95
0630	9.00	8.95	8.95
0700	9.00	8.95	8.95
0730	8.98	8.95	8.95
0800	9.00	8.98	8.98
0830	13.21	8.84	10.88
0900	9.03	8.84	10.88
0930	13.33	10.00	12.04
1000	13.33	14.53	16.57
1030	13.95	15.92	17.96
1100	15.09	15.92	17.96
1130	15.15	15.92	17.95
1200	19.99	20.14	22.18
1230	20.00	20.14	22.18
1300	19.99	20.14	22.18
1330	19.99	20.14	22.18
1400	15.08	14.69	16.73
1430	15.08	14.69	16.73
1500	9.03	14.69	16.73
1530	9.01	9.03	9.03
1600	9.00	9.01	9.01
1630	9.00	9.01	9.01
1700	9.02	9.03	9.03
1730	13.65	14.11	16.15
1800	13.65	14.69	16.73
1830	13.65	14.69	16.73
1900	9.07	14.69	16.73
1930	19.26	14.69	16.73
2000	37.70	14.69	16.73
2030	37.72	14.69	16.73
2100	19.80	16.42	18.46
2130	19.73	19.32	21.36
2200	19.11	16.99	19.03
2230	14.63	19.32	21.36
2300	14.58	9.70	11.74
2330	14.63	16.99	19.03
2400	9.00	16.99	19.03

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £10.00/MWh becomes 1.000p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] Monday to Friday.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 23.09.96: Pool purchase price £/MWh	Final Prices for Trading on 29.08.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.00	8.98	8.98
0100	8.96	8.94	8.94
0130	8.98	8.86	8.86
0200	8.98	8.86	8.86
0230	8.98	8.86	8.86
0300	8.98	8.86	8.86
0330	8.98	8.86	8.86
0400	8.97	8.86	8.86
0430	8.97	8.86	8.86
0500	8.99	8.86	8.86
0530	8.85	8.85	8.85
0600	8.96	8.85	8.85
0630	9.00	8.85	8.85
0700	12.68	8.85	8.85
0730	16.42	8.86	8.86
0800	28.72	9.00	9.00
0830	38.49	9.03	10.77
0900	50.61	9.03	10.77
0930	59.01	13.91	15.65
1000	67.31	15.34	17.08
1030	69.38	15.34	17.08
1100	61.65	15.34	17.08
1130	64.34	15.34	17.08
1200	69.88	15.34	17.08
1230	65.39	15.34	17.08
1300	49.50	15.34	17.08
1330	39.49	14.33	16.07
1400	33.56	14.33	16.07
1430	29.67	14.33	16.07
1500	29.63	14.33	16.07
1530	30.56	14.33	16.07
1600	36.66	14.33	16.07
1630	47.00	14.33	16.07
1700	56.44	14.33	16.07
1730	52.86	14.85	16.60
1800	40.17	14.85	16.60
1830	24.74	14.85	16.60
1900	37.99	14.85	16.60
1930	67.43	9.03	9.03
2000	75.69	9.03	9.03
2030	62.32	9.14	9.14
2100	38.37	31.21	32.95
2130	22.95	31.21	32.95
2200	16.09	26.98	28.72
2230	14.30	20.88	22.62
2300	14.16	14.85	16.60
2330	14.15	14.76	16.50
2400	14.14	14.76	16.50

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £10.00/MWh becomes 1.000p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.

Peter Norman · Economics Notebook

Emu: no wobblers need apply

Bonn is keen to quash speculation that it is going soft on Maastricht

By now nobody should be in any doubt. Bonn last week wheeled out its big guns to insist there should be no dilution of the Maastricht criteria for European economic and monetary union. To ram the message home, Chancellor Helmut Kohl endorsed these sentiments while on an official visit to Buenos Aires.

Klaus Kinkel, Germany's foreign minister, opted for undiplomatic language when he restated Bonn's goal of starting Emu on January 1 1999. He insisted that the criteria were sacrosanct and that "wobblers, delayers and vacillators should have no chance".

Theo Waigel, the finance minister, was more precise. Taking the most critical of the hurdles that countries will have to clear before they join Emu, he said the Maastricht limit of 3 per cent of gross domestic product for government deficits meant just that: "Three point zero, not 3.2, not 3.4 or 3.5 per cent."

This jawboning came after a flurry of rumours and reports suggesting that Germany was going soft on Maastricht or might be prepared to delay Emu. A week ago, the influential news magazine Der Spiegel quoted an unnamed adviser of Kohl's as saying that there would be "no monetary union without a change in the criteria". Some days before, Ernst Welteke, president of the state central bank of Hesse, had encouraged advocates of a flexible interpretation of the deficit and debt rules by describing them as "reference values".

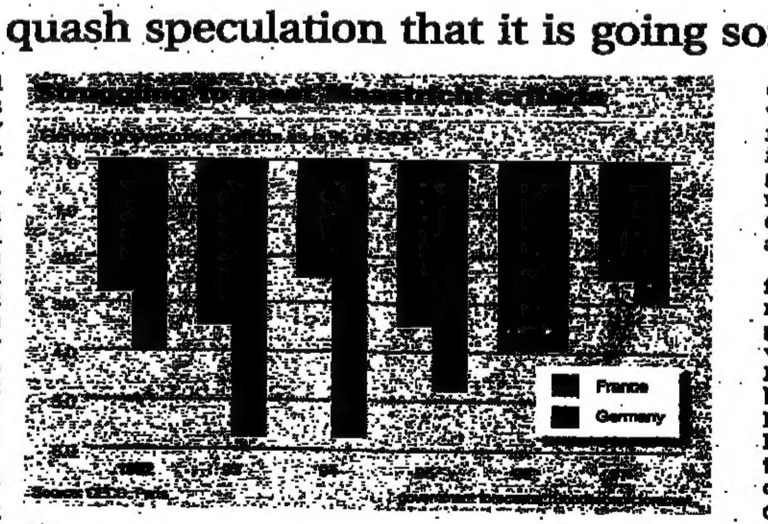
Chancellor Kohl also contributed to the confusion when, at a private dinner with international business people early this month, he mooted the possibility of a delay to Emu if the criteria could not be met.

Even before these mixed signals, Germany's recent record on the Maastricht criteria had given grounds for scepticism. This year's government deficit looks certain to be higher than last year's 3.5 per cent of GDP: the Bundesbank is forecasting 4 per cent. Although Waigel expresses confidence that the deficit next year will be 2.5 per cent of GDP, there are many uncertainties ahead.

The plans for a 2.5 per cent cut in federal spending to DM440bn (£191.3bn) could be blown off course by continuing high unemployment. The spending plans of the federal states are unclear, and the revenues of the federal, state and local authorities are more than usually uncertain because legislation to change business, inheritance and wealth taxes is stalled in parliament.

Then there is the very real dilemma facing the chancellor. On the one hand, he wants to go down in history as a great European figure as well as the man who achieved German unity. In the absence of substantial progress towards European political union, starting Emu as planned on January 1 1999 offers the best way of demonstrating progress towards his goal of "putting a roof on the European house".

On the other hand, this involves Germany giving up the D-Mark, the acknowledged symbol of the nation's success over the past 50 years. Kohl knows that he cannot afford to give his citizens anything of lesser value.



In recognition of this, he departed from his prepared text at last month's reception to celebrate the 65th birthday of Bundesbank president Hans Tietmeyer and in an emotional passage stressed that there would be "no rotten compromises" on the road to Emu.

It sounded like a signal that the chancellor was already preparing the fallback position of a delayed start for Emu if the convergence criteria are not met. There would be little political fall out so long as delay was seen not to be Germany's fault. Kohl, who is no friend of the banks, would not stop and worry that bankers and industrialists are already starting to invest millions in computer systems to cope with the euro.

But it is almost certainly premature to say that Bonn favours delay. The idea is on hold so long as German policymakers can convince themselves that France has a chance of meeting the criteria next year. Germany, meanwhile, is going flat out for the "double" of strict adherence to the Maastricht criteria and the prompt start of Emu in 880 days' time.

Policymakers have been greatly encouraged by the government's victory in the Bundestag on September 13 when it pushed through unpopular welfare cuts with the support of all its members of parliament.

Waigel knows that if he wavers on the criteria and his determination to start Emu on schedule, he will seriously weaken his case for tough stability pacts to keep fiscal policies under control at the European and national levels.

More important, it is far too early for Kohl to be seriously wondering what to do if Germany or other Emu aspirants fail to meet the criteria. His genius as a politician is not to rush at issues but to wait until conditions are ripe for action, and then move decisively.

The picture could be very different in six months. The mechanics of power politics suggest that spring 1997 will be a vitally important time for Emu. It has always seemed implausible that leaders such as Kohl or President Jacques Chirac of France will wait until early 1998 to determine which countries can enter Emu by a simple tally of which countries meet what criteria.

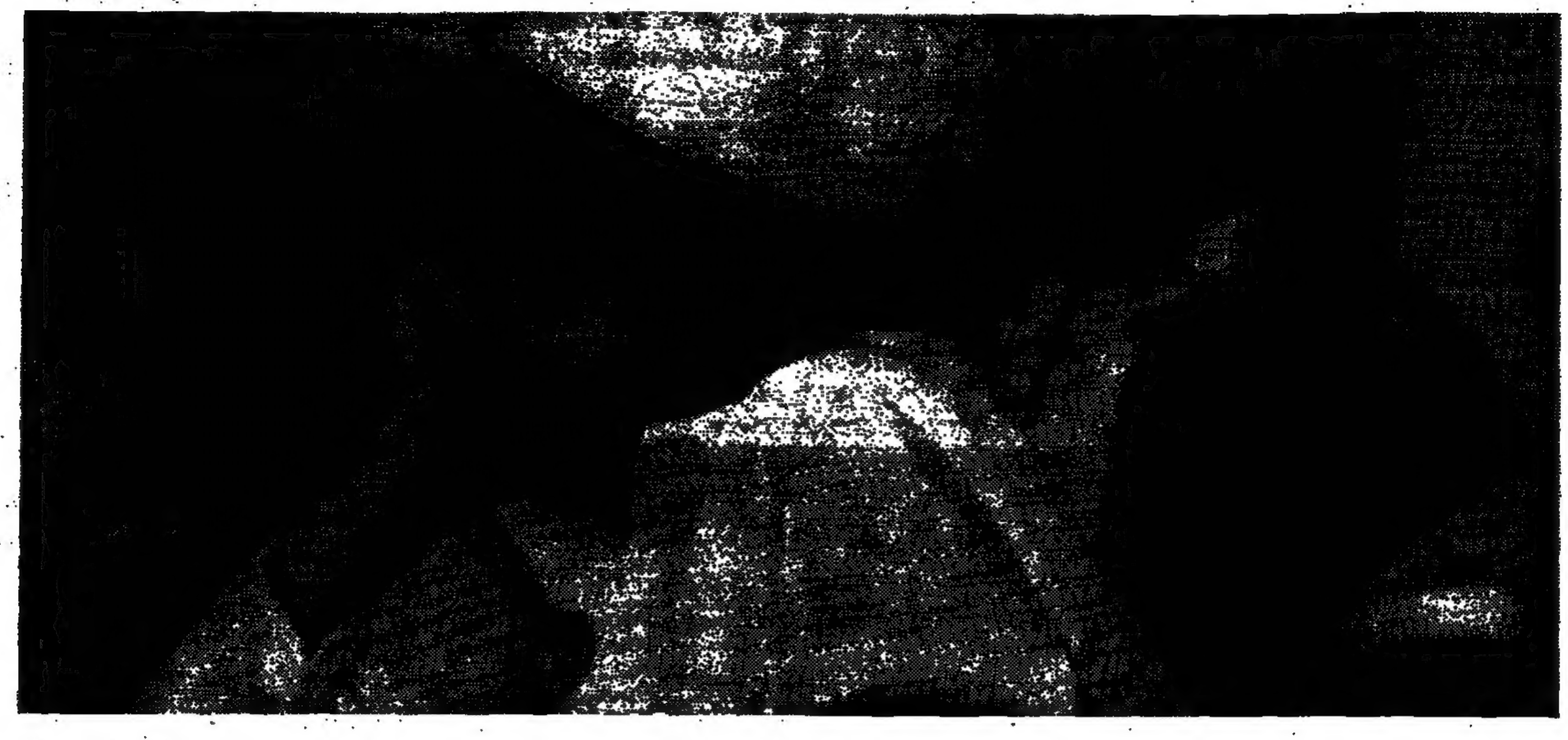
Such a crude book-keeping exercise would seem inappropriate to settle the future of a policy of profound importance for Europe's history and development.

By early next year the EU states will have pushed their 1997 budget plans through their respective parliaments. They will have a clearer idea of growth prospects in the period that is to determine which countries forge ahead with the single currency. In addition, the European Monetary Institute will have produced an authoritative guide on how to interpret the ambiguities surrounding the criteria in the Maastricht treaty.

So do not be surprised if there is a flurry of activity culminating in a special summit of EU leaders early next summer. That will be the time to see whether Kohl, Waigel and Kinkel have to resort to delay on Emu.

هكذا من الاصل

The Kingdom of Saudi Arabia celebrates the 64th anniversary of the National Day



Planned investment for our future

The planned development of Saudi Arabia during the past 4 decades has been characterised by 3 main features:

- **The extent and degree of enormous economic and physical change**
- **The high degree of social and economic stability and cultural integrity in the midst of this change**
- **The progressively increasing role of the private sector in material development.**

On 23rd September of each year, the Kingdom of Saudi Arabia celebrates its National Day in commemoration of the foundation of the Kingdom by his majesty King Abdulaziz bin Abdulrahman Al Saud, who unified segmented regions and peoples to one nation in September 1932 upholding Islamic Law - the Shari'a - as its constitution.

King Abdulaziz ruled Saudi Arabia until 1953 and was succeeded by King Saud (1953-64), King Faisal (1964-75) and King Khalid (1975-82). In 1982 King Fahad bin Abdul Aziz succeeded King Khalid, and holds the title of Custodian of the two Holy Mosques as his official designation, thus re-affirming the fundamental responsibilities of the Saudi State.

In 1993 King Fahad bin Abdul Aziz appointed the 60-member Shura Council which is parliament in the Islamic context to advise the King and his Cabinet on Affairs of State. The members represent a wide cross section of Saudi society and include academics, businessmen, technocrats, theologicians, doctors, the military and government officials. Two thirds of members hold Phds. The Shura Council formulates, discusses and passes laws and presents them to the King as Head of State, who in turn refers them to the Council of Ministers.

Saudi Arabia today

The Kingdom of Saudi Arabia has a population of 16 million and a land area of nearly one million square miles.

Islam

The religion of Saudi Arabia is Islam. Islam is one of the world's great monotheistic religions. The followers of Islam believe in one God – Allah in Arabic – and that Mohammed is his Prophet. The worldwide community of Muslims, numbering over one billion, turn devotedly in prayer five times a day towards the sacred Kabbah in Makkah, Islam's holiest shrine.

Oil and Petrochemicals

Saudi Arabia has 25% of the world's known oil reserves, and if production continues at the present rate of 8 million barrels per day the oil will last until half way through the 22nd century. Diversification of the economy has resulted in oil contributing only 36% towards GDP in 1995.

In 1995 SABIC (Saudi Basic Industries Corp.) produced 22 million metric tonnes of chemicals and petrochemicals, plastic resins, fertilisers, steel products and nitrogen and exported to 75 countries.

Mining

Saudi Arabia has mineral deposits of phosphate, gold, iron, bauxite, zinc and copper and the mining sector contributes to a total of 4% of the total GDP of the Kingdom.

Water Sources

185 dams for storage of a rainfall capacity of 689 million cubic metres have been constructed in the Kingdom. 32 desalination plants produce 575 million gallons per day and five more currently under construction will bring production to 800 million gallons per day.

Economy

The Kingdom's overall economic growth jumped to 4.3% in 1995 from 1.4% the previous year. The private sector grew by 1.5%.

April 1996 reserves were $10.9 billion, up 27% on year end 1995
Non-oil exports grew by 42% last year to 23.8 billion Saudi Riyals
The Kingdom paid the final tranche of the $4.5 billion foreign loan obtained during the Gulf war in May 1995
2,303 factories employ some 240,000 workers
The industrial private sector contributed 14% to GDP in 1995
340 factories have been built jointly with foreign capital
The oil sector grew by 9.2% in 1995 and the 1996 forecast is 6%.

Sales of Saudi Arabian industrial products totalled $25 billion in 1995. Saudi Arabia's industrial products include foodstuffs, soft drinks, clothing, textiles, leather, timber, wood products, furniture, paper, printing and publishing, chemicals, plastics, building materials, glass, porcelain, ceramics, industrial and finished metals & machinery and equipment.

Banking

Saudi Arabia has twelve commercial banks which have over 1,200 branches throughout the Kingdom. The banks' assets totalled $262,836 billion at the end of 1995 and profits were $1,545 billion. The banks have just posted record results for the first six months and 1996 looks to be a record year for Saudi banking.

Industry

The Saudi manufacturing sector is larger than that of the smaller OECD countries such as Greece and Portugal and some newly industrialised countries like Singapore and Hong Kong.

Saudi Arabia's industrial exports in 1995 went to 75 different countries.

Foreign companies have invested over $25 billion in Saudi Arabia. Saudi Arabia welcomes foreign investment and companies investing in the Kingdom at the industrial cities of Jubail and Yanbu benefit from:

Low interest industrial loans
No exchange controls
Good industrial and physical infrastructure.
Ten year tax holiday
Freedom to repatriate capital and profits

Agriculture

Saudi Arabia is self-sufficient in wheat, fruit and vegetables. Harvested crops, livestock and fish are exported.

Farming is second only to oil in GDP. Food-processing in Saudi Arabia includes vegetable and animal oils, juices and canning of fruit and vegetables.

Transportation

Saudi Arabia has built 42,000 km of modern roads and 96,000 km of agriculture driveway. There are 8 major seaports on the Red Sea and the Arabian Gulf which have 180 docks and the 1995 volume of shipments was 86.8 million tonnes.

Saudi Arabia's railway between Riyadh and Dhahran carries over 500,000 passengers a year. The Saudi Arabian Airline 'Saudia' carries 12.5 million passengers annually and there are 26 domestic airports across the Kingdom, including 3 international airports at Riyadh, Jeddah and Dhahran. 25 million people travelled from these airports in 1995.

Human Resources

The total number of male and female pupils and students in the current academic year amounts to over 4 million compared to 0.6 million in 1970.

3.3 million are studying at general level, 170,000 are studying at Saudi Arabia's 7 universities and 628,000 are studying at technical colleges, teachers' colleges, vocational institutions and handicraft training centres.

Health

Saudi Arabia has 279 hospitals, with 41,923 beds, and 3,254 health centres. These hospitals and centres are staffed by 29,227 physicians and over 100,000 nurses and auxiliary workers.

All citizens enjoy the right to free education, health care and social security
Social security contributions are the sole responsibility of the State
There is no personal taxation in Saudi Arabia on nationals or foreigners.

Foreign Aid

During 1973-92 $66.7 billion in development aid was given, estimated at 5.5% of GDP. The Saudi Fund for development has financed over 300 projects in more than 70 countries.

These are some of the achievements of the Government of Saudi Arabia and its people during the past seven decades.

For further information regarding the Kingdom of Saudi Arabia or any of the sponsoring companies please contact The Ministry of Information, Foreign Information Department, P.O. Box 570, Riyadh 11161, Kingdom of Saudi Arabia.

The congratulatory message to the Kingdom of Saudi Arabia on the occasion of the 64th National Day Anniversary was sponsored by the following leading institutions in the Kingdom

The Saudi British Bank
KINGDOM
SABIC
Saudi Pharmaceutical Industries & Medical Appliances Corporation
SAUDI BINLADIN GROUP
SAUDI CAIRO BANK
DAR AL-MAAL AL ISLAMI GROUP
ARA GROUP INTERNATIONAL
The Saudia Company
Nasser I. Al-Rashid
MAHMOOD SAEED

Produced by Targets, Saudi Arabia

Accused of living in the past, Harvard Business School has used its resources to set up a system that will take it into the 21st century, says **Della Bradshaw**

A textbook relaunch

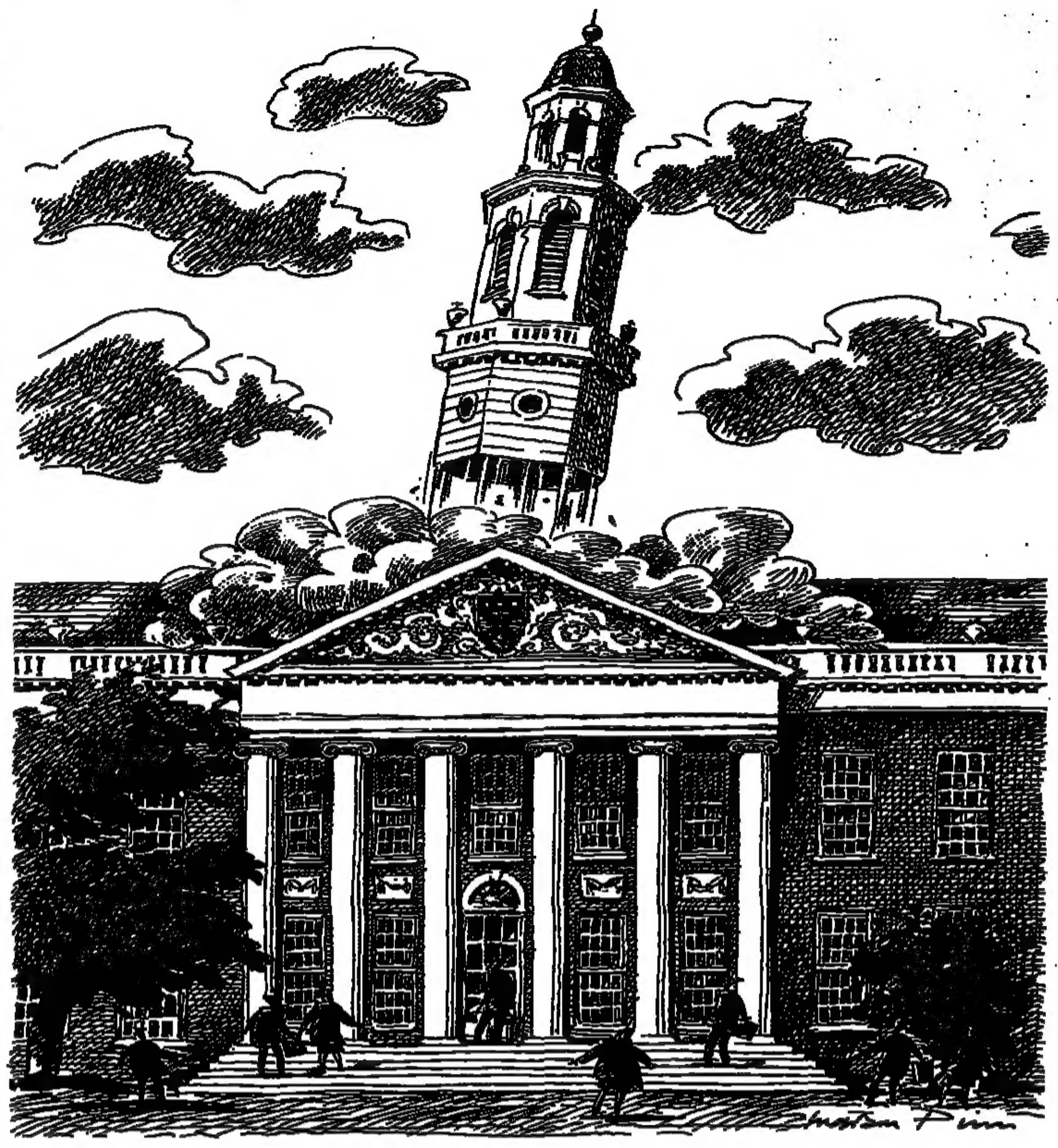
Harvard Business School, long regarded with unswerving respect and a touch of awe in Europe, has taken a beating of recent years in its US heartland. In a country where magazine rankings can make or break a business school, Harvard had its lowest ever showing in the most recent *BusinessWeek* rankings when it came in fifth position.

While many at Harvard argue that the waning reputation has been based on perception rather than fact, dean Kim Clark believes that the school has had substantive problems to deal with. Now almost one year into the job, the circumspect new dean believes the school is well on its way to casting off its image as an academic dinosaur, too large and too slow to change.

Many of the criticisms of Harvard have hit at the school's core: the research and dissemination of management ideas. While smaller and more innovative schools stole the research march by focusing on entrepreneurial and international companies, Harvard's image remained synonymous with the older values of big corporate America.

Combined with this was student dissatisfaction about the Harvard "experience", ranging from the quality of the food to the co-operation of the administration and the flexibility and even arrogance of the faculty. There was only one way of doing things – the Harvard way.

Clark, who spent 25 years at Harvard as student and professor before his appointment as dean, likens the scale of the problems to the challenge faced by the founders of Harvard. "What we have to do is even more courageous because we've got all this legacy. The future is going to be very different."



During his first year as dean Clark has overseen the implementation of numerous changes, many of them fundamental and many begun by Clark's predecessor. They include: improving the service to students; restructuring courses to enable curriculum changes to be effected much more rapidly; overhauling the flagship master of business administration (MBA) degree and shorter executive courses; and leapfrogging other business schools in the use of technology for delivering course material.

Clark believes the school acknowledged the customer service issues – the quality of the food and dormitories, the endless queues of students waiting to see faculty or administrators – four years ago and has largely dealt with the problem. "If you compare the experience of our students today to those in 1990 or 1992, it's like night and day."

Actually changing the master of business administration degree course has taken three years to complete. While critics say that only Harvard could take three years to redesign a programme, many within the school would say this is the school's strength – having the resources to commit to such a project.

At the heart of the scheme was the plan to change the actual structure of the MBA course so that the school could introduce curriculum changes more quickly. "We clearly weren't changing fast enough," says Steven Wheelwright, senior associate dean in charge of the MBA programme.

The decision was to split the students into three "cohorts", each with 250 to 300 students. While two of the cohorts begin their course in September, the traditional entry date, from this year one cohort begins in January, and completes a full academic year's study by September, omitting the summer company placement. This cohort is intended for older and more experienced managers.

Splitting the students into smaller groups, with about 18 academics in charge of each group, means that changes in the course content can be more easily agreed. The plan is to introduce changes in the single January cohort – only 18 academics would need to agree to them – and then implement successful changes in September.

Course content has moved away from traditional academic topics – economics or technology – to cross-course integration focusing on problem-solving. The real test is whether Harvard can provide a model in its organisation for students to follow when they take up their own jobs, says Wheelwright.

Although he believes substantial changes were needed he also argues that there was a perception problem among new students about Harvard. "We let the world define our course for our students much more than we defined it for them," he says. Now action is being taken manage student expectations.

To do this the school has completely changed the beginning of the course. Instead of being torched by an unanswerable question from a lecturing faculty member on day one of the course – the worst nightmare of any MBA student – course members now spend the first three-and-a-half weeks in groups doing "foundations". These form a series of case discussions to set the framework of what is to follow. Seventy five per cent of the material used focuses on companies outside the US.

This year the students looked at the case of Northwest Airlines, for example. Academics wrote 11 cases on issues affecting the company from November 1991, its alliances, regulatory issues and brush with bankruptcy. Written text was interspersed with television coverage of the time. But the most important ingredients were the directors from Northwest, led by co-chair and Harvard alumni Al Checchi, who turned up to talk to students and answer their questions.

"How many institutions have the relationships which allow them to open up companies to this kind of scrutiny?" asks Leonard Schlesinger, the unit head of service management at Harvard and co-author of the Northwest Airlines case studies. "The bottom line is this is not reproduceable by other schools."

The technology platform used to deliver the revised MBA course is particularly close to Clark's heart, and a programme he instigated when he became dean last October. The famous Harvard case study method remains at the heart of teaching but students can now plug into the text on their PCs in the main campus buildings or in their dormitories.

More than this, the cases are interspersed with video footage on the computer screen which illuminates the cases – enabling students to assess situations by the expression on a manager's face, or news coverage of the time as well as the text.

The system was installed in less than a year and at a cost of $10m (£6.4m) using existing academic and support staff. "You can't even hire a company to come and do it for you," says Clark proudly. "I believed we ought to adopt a strategy of leadership at using the technology."

The technology enhances the faculty's core skills, rather than replacing them, he emphasises. "What we are asking the faculty to do is bring the real world into the classroom. The core teaching is the same."

In executive education the story is a similar one. The department has responded to demand by launching a programme in two three-week blocks, with a seven-week stint in between, rather than the traditional six-week format. And about three years ago the school decided to develop programmes for individual organisations.

But the bottom line remains the same. "In all this we're motivated by the mission of the school to research and disseminate new ideas in management," says Earl Sasser, senior associate dean and chair of executive education. Company programmes are viewed as a two-way street and will only be undertaken if faculty can extract meaningful research findings. "It's not just a professional service," he adds.

Clark believes a more aggressive Harvard, one which reacts to change more quickly and trumpets its triumphs more loudly, will re-establish its position as the pre-eminent business school. "This is an important school. And it's not because of us, it's because of our alumni. We can really make a difference in the world."

Accepting its weaknesses has been an important first step on the ladder. When the new *BusinessWeek* rankings are published next month Harvard will clearly be hoping to have moved up a rung or two.

Moving to centre ground: Stephanie Whitaker and Duncan Rush

PARTNERS

Ignis

Stephanie Whitaker, 40, started Ignis, an advertising agency, in 1989. Duncan Rush, 30, joined as an account director in 1992 and became a partner in 1994. Their annual turnover is £4m.

Duncan: "Steph's one of those people who believes anything is achievable with effort. If she wants to do something, not a huge amount will stand in her way. She's very creative, always full of great ideas. It's brilliant from the client's point of view but they can sometimes go off into orbit. I'm the one who reigns her back a bit.

Often her ideas are just too wild. She once suggested putting a promotional packet of chewing gum on condoms to make the whole evening a fragrant experience. The condom manufacturer loved the idea but, like a lot of clients, they wanted to see a concept that had worked historically. Very few marketing managers will put their balls on the line with an idea that hasn't been done before.

I'm definitely the quieter partner, I like to sit back and consider. Steph's great at coming up with ideas, enthusing the clients and getting the ball rolling, then she likes to take a back seat. I prefer the management of a project rather than the initial stage. We ought to have regular board meetings, but we don't. I'll say, "Got a few minutes?" and that tends to act as a springboard for discussing a range of other issues.

Steph's better than me at entertaining. She's got more energy and enthusiasm for nightclubbing than I have. She's open-minded to the point where she'll happily take clients to a topless bar. It wouldn't matter what her own personal view was, we both know that in a business like ours, the client is number one."

Stephanie: "When I made Duncan a director, everyone in the company was delighted, including the cleaner. There was no backbiting which is amazing for an advertising agency. He's a tremendously nice person, but not too nice that he lets himself get diverted. Beneath the amiability there's a strong individual, an achiever.

We have different managerial styles. He's very considered and cautious, I'm more mercurial and the risk-taker. We come from different backgrounds which makes the contrast even greater. I'm a northern girl, with working-class roots and he's from a middle-class background. Whereas I want everything now, Duncan's prepared to wait. His hunger in business is less apparent than mine yet it doesn't stop him being ambitious.

A couple of days before a big campaign breaks, he'll become very quiet while he chews over all the elements in his mind. I tend to over-compensate like mad by being incredibly jolly. I always think that positive thinking can get you through any disaster. He's very good at understanding the target audience and their motivations, which is one of the most important aspects of our business.

It's easy to understand the apparent reasons why people do the things they do, but Duncan likes to dig deeper. It worries me a little that we increasingly agree. Our extremes seem to be moving to a centre ground which may be a good thing, although it may mean we eventually lose our edge. I imagine our relationship is like the one between a head girl and prefect in a mixed school. It's very easy-going."

Fiona Lafferty

A distant view of corporate rivals

Lucy Kellaway

So now we know. Shell is the best company in Europe at dealing with environmental issues. Body Shop is one of the best when it comes to ethics. Virgin is Europe's most innovative company.

Had these views come from my mum, I would not have been surprised. No offence meant to her; corporate knowledge just happens not to be one of her special subjects. But these were the views of the most senior managers in Europe, published last week in an extensive annual survey carried out by the FT and Price Waterhouse.

Their opinions deserve to be taken seriously: anyone who is an executive of a large company should be perfectly placed to judge their peers. This makes the results a puzzle.

Shell is great at many things; but sensitivity to the environment is not its strongest point. Virgin may be innovative and Body Shop may be ethical, but the main thing that distinguishes these companies from the pack is how hard they shout about their achievements.

And as for Benetton, which is also mentioned as an ethical company, one can only assume that those advertisements showing people of many races wearing Benetton T-shirts somehow make the company ethical...

Maybe it is not such a puzzle after all. Senior executives are busy people – if they know their own companies and understand others in their sector then they are doing well. But when it comes to judging industries and companies distant from their own, they are possibly no better than the rest of us: they see the advertisements and believe what they read in the papers.

Business high-flyers are risk-takers, decisive, assertive, competitive, bad losers. This macho profile of the corporate whizzkid is a cliché. It is also a reality. According to a detailed study tracing the careers of graduates of the general management course at Henley, it was found that those who rose fastest all possessed these character traits.

The academics who carried out this research are hoping the results will be used by business leaders when they choose successors. I hope business leaders take no notice. It is one thing to describe the personalities of today's high-flyers – it is another to seek to recruit future generations in their image. What about the softer management skills that are supposed to be more appropriate in the 1990s?

It is hard to see them getting a look-in if being a competitive, aggressive sod is a pre-requisite for even getting on to the short-list.

In a letter to the FT last week Peter Oppenheimer correctly pointed out that there is no such thing as an international market in corporate executives. And were there such a thing, he argued, the British would be unlikely to command high prices seeing as most us cannot even order a boiled egg in a foreign language.

How true: the previous day I had travelled to and from Paris on Eurostar listening to British businessmen with their noisy mobiles studiously avoiding using one single world of French.

But just for the record, how *do* you order a boiled egg in France? I have checked with a Frenchman, and so can confidently inform those executives who might be interested in building up their international credentials that the phrase is *oeuf dur*. Or if they want their egg soft in the middle they should ask for an *oeuf dur moelleux*.

A rather less scientific survey of top executives, this one carried out by consultants GHN, has come up with the improbable finding that bosses drink on average 15 units of alcohol a week. They must lie even more outrageously than I do when the doctor asks me the same question. If those Eurostar guinea pigs are anything to go by, they can drink that much on one train journey.

I have been reading *The Element Dictionary of Personal Development*, and among a variety of interesting phrases (actualisation, authenticity, body awareness, comfort zones...) I have stumbled on the concept of the "inner team".

Apparently each one of us is a team, made up of lots of different people. To function well, we must get to know each member of the inner team and encourage them to contribute positively.

I have been trying to summon my own inner team members, but so far no luck. Like my outer team fellows, they seem to be out to lunch.

هكذا من الاصل

BUSINESS EDUCATION

In a continuing series on company training, **James Bredin** investigates the BBC

Media get the message

The BBC has long prided itself that its creative programme makers are its most valued and favoured assets. Management, on the other hand, has, through most of the BBC's history, been a lesser breed called "Admin".

Now that the BBC faces more competition than ever before, it recognises the need to be effectively managed if it is to survive the deregulated worldwide challenge of cable, satellite and digital broadcasting. So it has instituted a comprehensive business education programme for its staff.

So far nearly 300 staff have started taking MBAs, diplomas or shorter courses. They are led by the 14 men and seven women who are about to finish the BBC's first three-year master of business administration (MBA) degree in public service management.

The course specification was drawn up four years ago by Ian Hayward, the head of organisation development, who joined the BBC after he had done a similar job designing the British Airways MBA at Lancaster University. Britain's leading business schools competed for the BBC job and the winner was Bradford University's Management Centre.

Bradford constructed an MBA course to meet the three stated aims of the BBC: to create a cadre of business professionals, to retain its most talented staff and to put learning and new thinking well up on the BBC's agenda.

The MBA candidates have had to commit themselves to a demanding regime: 10 hours private study a week in addition to their full-time BBC jobs, seven week-long residential modules in 13 subjects during the first two years and, in their third year, producing a project of between 12,000 and 15,000 words related to a specific issue in the BBC.

At the end of the first two years each student's progress has been formally appraised. "At the end of the first year Bradford was much impressed by how well the 21 students compared with the non-BBC students taking Bradford's own MBA," says Hayward. "The BBC was delighted to see how early in the course the 21 were able to demonstrate and apply in their jobs something of what they had learned at Bradford."

Projects are now being written and their authors will know by Christmas whether they have graduated. Projects include the impact of organisational change on BBC management, the impact of technology and the management of creative talent. All are problems that face the BBC on a growing scale.

Nikki Clarke is doing the creative talent project. She was editor of BBC Television's Six O'Clock News until two months ago when she was appointed to a new management job. Her MBA course, she says, "has given me a higher level of confidence in my management abilities and a spread of knowledge I'd not had before".

Each student has been paired with a BBC mentor, a senior manager who has offered help and support through the whole three-year course. Every member of the BBC's board of management has been willing to be a mentor, right up to and including the deputy director-general, Bob Phillis.

MBA student Ian Hunter is chief assistant to Phillis. Says Hunter: "I found the 13 modules in the first two years very stimulating because they covered whole areas that I would not otherwise have known anything about. The third year was harder because it was mainly work on my project. It was more difficult to motivate myself because there was no imposed deadline. But then, part of the challenge is to make yourself do it."

Hunter sums up: "We are 21 people from different BBC departments and we've had three good years networking with each other. The MBA at Bradford turns out to be a brilliant way of getting to know the BBC."

Branching out: managers from all over the BBC are studying for an MBA at Bradford Management Centre.

NEWS FROM CAMPUS

Organisational skills meet widget design

Experienced engineers will soon be able to complete the best part of a masters degree in design and management without leaving their desks.

The System Design and Management degree course will be launched in January 1997 and is the first time that the Sloan School of Management at the Massachusetts Institute of Technology has run this kind of distance-learning course.

The programme has been devised with the help of corporate sponsors including Ford, AT&T, Motorola, IBM and Raytheon who were involved in a pilot scheme.

The faculty will use compressed video technology to interact with the multiple remote sites during classroom sessions and will distribute material over the World Wide Web.

Students who complete the programme will receive a joint masters degree in management and engineering from the Sloan school and the MIT school of engineering.

Sloan: US, 617 253 6604

Qualification for urban regeneration

City planners from Budapest are learning how to manage urban renewal in a programme developed by Essec graduate school of management, in Paris, and the Budapest University of Economic Sciences.

The two-year programme, which began this month, involves nearly 700 hours of teaching and study in both Paris and Budapest. Essec is hoping to run similar programmes elsewhere in the area.

Essec: France, 1 3443 3104

Where to find the best MBA courses

Anyone considering doing an MBA might be interested in the Association of MBAs (Amba) reception to be held in London on October 7. Representatives from 28 business schools from the UK, plus 15 European schools and some from the US, will be there to help guide students through the maze of courses.

The reception is free, although visitors must pre-register with Amba.

Amba: UK, (0)171 837 3375

Michael Thompson-Noel · Sport

There's no business like sports business

Some Hollywood talent agents say that sport is now a bigger world business than all other forms of entertainment combined. Sport *is* big, though how big it really is depends on how you differentiate between sport, leisure and fashion.

This is a difficult thing to do. In fact, the best way to glimpse the ramifications of the sports business in all their entrepreneurial glory is to attend a big trade fair, such as last week's EXSL 96: the 13th Exhibition of Sport and Leisure, Britain's biggest show of its kind, at the National Exhibition Centre, Birmingham.

It was thought to have been highly successful: 210 exhibitors, 8,500 sq m of stand space (12 per cent up on last year), more than 350 brands and hundreds of products, including many new ones, in a startling range of product groups, from footwear and apparel to sports and fitness equipment and accessories.

Some of these product areas have numerous specialist sub-categories. Sports apparel, for example, includes – obviously – common or garden sportswear (soccerwear, cricketwear, swimwear) but also aerobicswear, dancewear, beachwear, surfwear, sports fashionwear, fitnesswear, activewear, musclewear, bodywear, many types of leisurewear (usually outdoor leisurewear, but not exclusively so), and – for the cool – various lines of streetwear.

New or nearly new products on show included Slazenger's extra-long tennis rackets and extra-long V100 Waugh Zone cricket bat; the world's most powerful sports whistle, from J Hudson & Co (Whistles); many improved versions of sports shoes and skates; new sports, mountain and fashion sunglasses from Cebe – even new "sports/activity bottles", in various sizes and colours, from Worldtrade Industries.

EXSL is sponsored by the British Sports and Allied Industries Federation, which has almost 600 member companies and represents 20 trade associations. Its president is Chris Aylett, who says the UK sports business is enjoying a boom. Aylett used to own a number of sports import, wholesaling and distribution companies, but sold them to a bigger group.

"A lot of buying and selling of sports companies goes on," he says, "because they are especially attractive to entrepreneurs. It is a business with an unending demand for new ideas, products and formulations – so unending that it cannot be saturated."

The UK's national lottery *has been very good for* sports businesses, he says, and will continue to be so. "So far, the lottery money handed to sport has been used for capital projects and facilities, but the more facilities the lottery provides, the more consumers will spend on clothing and equipment.

"Politically, sport in Britain is receiving a much better deal under John Major's government than it did under Margaret Thatcher's, and England's successful staging of the finals of the European soccer championship this summer is still having a positive impact on high-street sales."

A good example of a young sports company with attitude is Toffs (The Old Fashioned Football Shirt Company), which Alan Finch, a lifelong Arsenal fan who had worked in the music business, started in 1990. Toffs recreates *classic*, 100 per cent cotton football shirts from 1885 to 1975 and sells them for £33.99 each. Its fourth catalogue will feature more than 300 shirts, including England's 1966 World Cup-winning shirt.

"Turnover in our last financial year, to April 1996, doubled to approximately £1.1m," says Finch, "while for the four-month period to August this year it grew to about £600,000. We show a gross profit of 30-40 per cent. How? We bear down heavily on our fabric suppliers, is how."

Finch used to make T-shirts that looked like old soccer shirts. Nothing special about that. The clever thing was to go a step further and make soccer shirts that looked like old soccer shirts.

Retrowear: Toffs sells more than 300 classic football shirts devoid of sponsors' names and advertising

■ Spain's soccer coach, Javier Clemente, is getting a bit Delphic. Last week he was in Copenhagen for a three-day coaching convention hosted by Uefa, which governs European soccer.

International soccer's biggest problem, said Clemente, was refereeing mistakes. "You need perfect referees, but where is the perfect referee?" But Clemente, whose side was eliminated by England on penalties in the Euro 96 quarter-finals last June, said perfection in football was not a good thing, anyway.

He did not, for example, favour high-tech or even low-tech solutions, such as slow-motion TV replays, to refereeing problems. "In my opinion, technology must not come into football, because then the arguments will end and without arguments football will die. We would lose the great attraction of football – that a modest team can upset a big team."

Spain's coach said he was against tampering with the laws of soccer so as to encourage a more attacking game. But then he seemed to indicate that efforts to make soccer more dynamic had produced good results.

"Some time back we got to 23 effective minutes of play in 45 minutes. Now it's up to 31. Ruling that the goalkeeper mustn't handle a back pass has contributed to this. The idea is that we should play more. But we'll still be 11 against 11 next year."

Oracular, or what.

■ One of the choicest items of sports news to be flashed around the globe last week was confirmation that six-year-old Cigar, the great American racehorse, was eating his beloved peppermints again. He went off them – indeed, went completely off colour – after his defeat by Dare and Go when bidding for a record 17th consecutive win last month.

But Cigar, for whom a reported $30m (£19.2m) offer from Japan has been rejected by owner Allen Paulson, returned to *form* at Belmont Park racetrack, New York, on September 14 when winning the Woodward Stakes in a stroll – and is eating everything in sight.

It strikes me that the time is approaching when racehorse trainers and owners will find it expedient to issue regular and detailed bulletins on their horses to bettors via the Internet. Without betting, horse racing would not exist. Yet bettors squander billions while knowing practically nothing about the horses on which they are betting.

Soon, I suspect, trainers will feel obliged to release great clouds of information about the horses in their care, including medical, dietary, training and psychological data. For a start, what *brand* of peppermints does Cigar use?

Colin Amery · Architecture

Transforming Britain's shrines of art

Transformation is the order of the day, and it is taking place at two British institutions. The new galleries at London's National Portrait Gallery designed by architect Piers Gough of CZWG have just opened, and proposals for the refurbishment and extension of the Dulwich Picture Gallery by Rick Mather Architects have had their first public airing. Updating national shrines of art is a delicate business, and both schemes take some daring initiatives.

At the National Portrait Gallery, *Gough was commissioned to* redesign the galleries of Victorian and early 20th century portraits. He is an architect with a strong sense of the theatrical and a real ability to see how the public, in large numbers, can enjoy and be informed by art.

In the Victorian galleries he has unblocked windows to let in daylight, removing some of the sense of gloom that once pervaded them. To make the portraits of national worthies somehow *less forbidding and more* interesting, Gough has angled some of the canvases from the wall so that you face the sitter in isolation, with natural light falling on the faces.

There are radical ideas throughout, and Peter Funnell and Honor Clark, the curators, have been ingenious and flexible in their approach to the raw material of the collection. Everywhere there is a striking sense that we are confronting people *rather than portraits.*

Indeed, a visit to the Victorian galleries is now very much like going to a good party – you come face to face with the character of the sitters rather than some routine historical portrait. However, it has to be said that these encounters do not always help those portraits which are not of the highest quality.

For the early 20th century, whose works are housed in the Duveen wing, Gough has been *brave, making a contemporary* space with a stylish curved ceiling. Here the pictures are hung on glass walls, and the room already possesses the atmosphere of a brave new world.

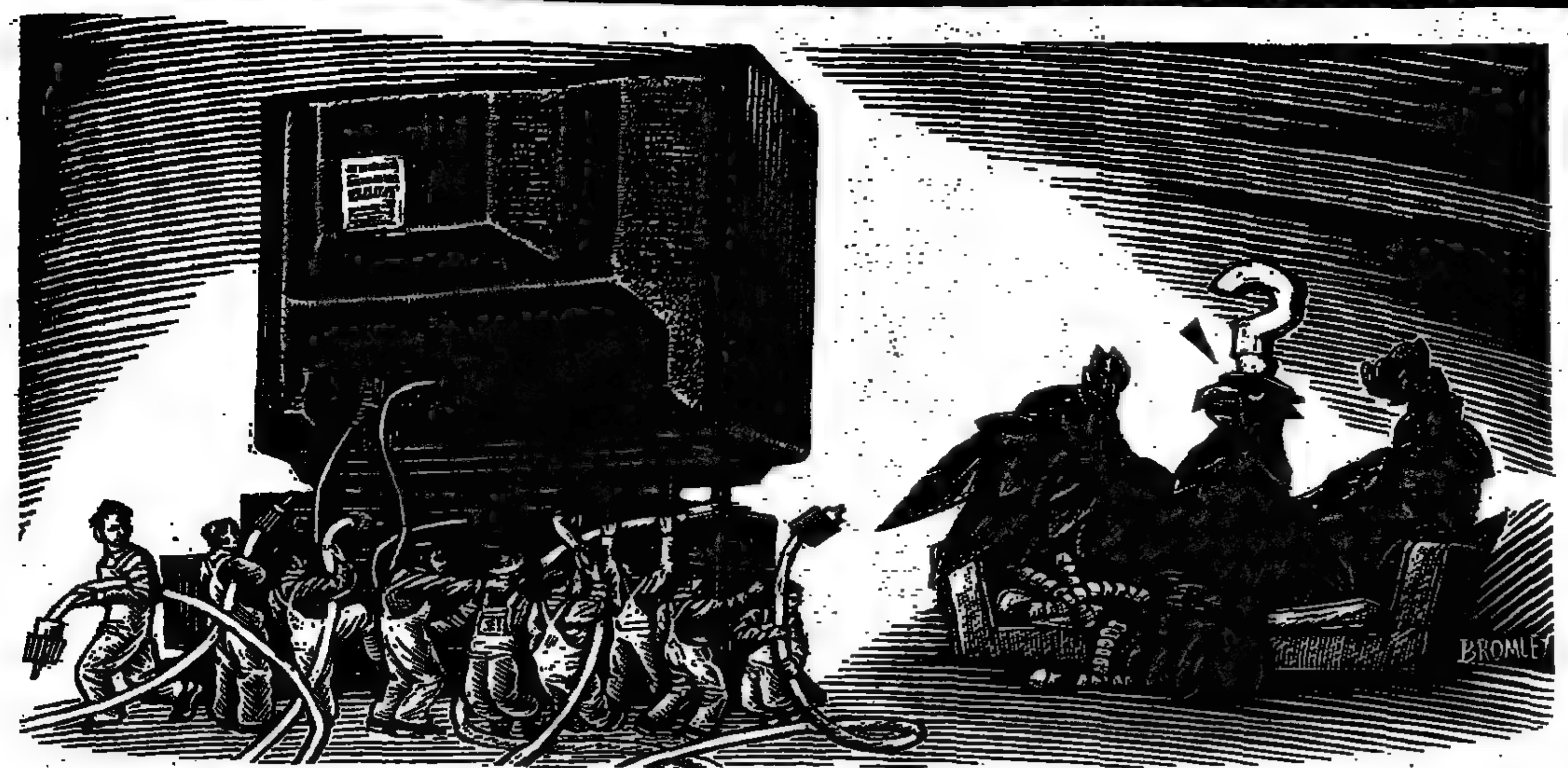
The danger that the paintings might look like something in Harvey Nichols' windows was a real one, but the experiment comes off. The skilful hang, accompanied by the new showcases of drawings and photographic and archive material, *make this a pleasantly didactic* experience.

On October 22 there is an opportunity to hear the director of the National Portrait Gallery and the architect discuss the new setting for the nation's heroes at a special evening opening of the gallery from 6.30pm.

The Dulwich Picture Gallery, designed by Sir John Soane in 1814, was England's first public art gallery, and has a stunning collection of European art. *Soane's task was to incorporate* the tombs of the founders in a mausoleum which is part of the gallery. He created a wonderful place with a sense of glorious living light around the paintings and a powerful air of the dark certainty of death.

Until the 1960s there was no artificial lighting in the gallery, and the pictures could only be seen by daylight. Today the gallery needs more public facilities and the whole building is in need of careful restoration and gentle improvement. A new formal garden is planned as well, something that Mather – rare among practising architects for his deep understanding of plants and gardens – can handle with ease.

Thankfully, the trustees have almost raised the funds to make England's first public gallery into its finest.



Small screen, big ambitions

Deutsche Telekom is poised to move in on pay-TV, writes Frederick Stüdemann

Following the developments in German digital pay television is a bit like watching a fevered version of musical chairs. As the music stops, so a *new order is revealed*, with previously underrated participants elevated to prominence and erstwhile favourites thrown out of the game.

In the latest round of developments, Bertelsmann, the grandest name among Germany's big media companies, last week announced it was retreating from pay-TV altogether. And Deutsche Telekom, the state-owned telecoms company which will be partly privatised in November, progressed from being a secondary player to one of great prominence.

Bertelsmann said it had decided to delay indefinitely the launch of Club RTL, a digital pay-TV channel, because the whole pay-TV market in Germany had become "hopelessly overrated". That may be true. Given the range of Germany's existing free-TV sector and the difficult time Premiere, the country's sole subscribtion channel, has had establishing itself, analysts think it will take about 10 years for pay-TV to break even in Germany.

Another factor was the decision of Telekom to withdraw from MMBG, the digital pay-TV venture in which Bertelsmann was also a shareholder. As it is almost certain that MMBG will not now go ahead, Telekom's move has brought to an end part of the battle between Bertelsmann and the Munich-based KirchGroup, which launched its digital pay-TV service, DF-1, in July.

Telekom has made it clear it sees itself as the vital link in the digital pay-TV market. The reason lies in Telekom's cable television network. This serves 16m of Germany's 32m households.

The importance of cable is made clear in a recent report by Hypo Bank. This says 60 per cent of German viewers receive their television via cable, with satellite and traditional aerials supplying the rest.

Although Telekom owns most of the cable lines, the majority – 11m – of "last mile" connections to homes are made by private sector cable companies, led by Vebacom, a unit of the Veba utility company, which has 1.2m cable customers. Telekom is negotiating with the private companies over a common future strategy.

At present, some 30 TV channels are available on cable. Besides Premiere, these are all free-to-air and come either from the public broadcasting networks, such as ARD and ZDF, or the commercial networks, such as Bertelsmann's RTL or the Kirch-controlled SAT-1.

But Telekom is in the process of digitalising the network and says that by next year it will be capable of carrying as many as 150 channels. As such, the cable network will be the essential medium of distribution for pay-TV companies. "The broadcasters need cable for digital pay-TV because that is the best way to reach the viewers," says Friedrich Schellmoser of Hypo Bank.

The importance of cable is well understood in Germany. What is new is that Telekom has decided to take a more defined stance in marketing its asset. Until now, the company was content to be part of alliances with broadcasters, originally in a venture with Kirch and Bertelsmann which was blocked by Brussels on competition grounds, then with MMBG.

"Now we want to be a neutral network operator," says a Telekom spokesman. "All broadcasters can have access to the network. We have an autobahn and we now want to see as much traffic on it as possible."

The price of access has yet to be determined. Telekom has also suggested it may decide to position itself as a US-style cable company which offers broadcasters free access, then markets a package to fee-paying viewers.

Telekom also wants to establish a single technological standard for decoding digitally broadcast signals, one of the main issues of conflict between Bertelsmann and Kirch. The choice is between the Irdito and Seca systems, both of which are ultimately owned by Canal Plus since the French company's recent merger with NetHold, the pan-European broadcaster which owned Irdito. In Germany the licence for Irdito is held by Kirch. MMBG intended to use Seca, which is used by Canal Plus in France.

If Telekom's strategy proves successful, it will bring much needed order to the Germany pay-TV market. On one side will stand Telekom and the private-sector cable networks; on the other, the broadcasters.

It will also boost one of Telekom's loss-making activities. And in combination with Telekom's traditional telephony network it will secure the company a position in the emerging multimedia business which requires the huge data capacity offered by cable and the "talk-back" agility of old-fashioned telephone lines.

Tim Jackson

Cable comes of age

Fremont, a Silicon Valley community on the unfashionable eastern *side of San Francisco* bay, has not yet made much of a mark on the world. But the town is destined to go down in history as the birthplace of a technology that will bring dramatic change to publishing, telecommunications and working habits all over the world.

That technology is Internet service via television cable, launched commercially a week ago by @Home, a joint venture between TCI, one of America's leading cable companies, and Kleiner Perkins Caufield & Byers, one of Silicon Valley's leading venture capital firms.

At first sight, it may seem hyperbolic to make grand claims for what is, after all, no more than Internet *access through the same* fibre optic cable that is used to deliver hundreds of channels of televised pap to 90 per cent of US households.

But this is Internet access with a difference. For a set-up charge of $150 (£96) and a rental of $34.95 a month, @Home's customers will be able to receive data at 10 megabits per second, more than 300 times the bandwidth of the current 28.8 kilobit connection that is the state of the art in residential Internet service.

In practice, this means Internet users who used to sit at a screen for minutes at a time drumming their fingers waiting for a Web page will now see the same page arrive in the blink of an eye. Large files that previously took more than an hour to download will appear in seconds. And because there is no per-minute charge, people will be able to leave their cable connections switched on for 24 hours a day.

Judging from the biographies on its home page (*www.home.net*), @Home has a management team that is among the best and the brightest. Yet even with this advantage, the commercial service has started some seven months behind *schedule. This is partly* because the interface between TV cable networks and the Internet is a tough technical job. It is also because @Home, the developer of the technology, is not a cable company.

Its service will be sold through the cable industry. As well as TCI, Comcast and Cox are shareholders, creating a consortium that accounts for more than 40 per cent of the cable customers in the US. The spread of the service depends on the ability of local cable companies to upgrade their infrastructure to offer Internet access.

By the end of this year, only a handful more towns will be able to use @Home. Indeed, according to Tom Jermoluk, @Home's chief executive officer, it will be *the turn of the millennium* before even half the homes in the US have cable Internet access. With capital costs to the cable companies of $2,000 per household, taking six years to recoup, the big worries are financial rather than technical.

Mark Andersen, author of an influential online newsletter, believes the cable companies' cashflow may not allow them to meet demand. Yet the long-term significance of the service is beyond doubt.

First, the rollout of cable connections will provide a practical outlet for new Internet technologies such as Java, Shockwave and Director, all of which perform far below their potential through the narrow pipes to the Internet that are today's standard. The arrival of Internet cable will turn the Internet into a medium for information and entertainment that makes TV seem drab, impersonal and static.

It will also raise the barriers to entry in the Internet business. At present, the need to restrict content to what can be squeezed down a phone line makes it hard for big companies to differentiate their offerings from those of home enthusiasts. *In future, people will know* if you're a one-man band; they will realise this because your Web site will look like a home-printed newsletter compared with the glossy magazines and soaps of the conglomerates.

The second big effect of Internet cable will be to change the economics of the phone business. Most existing Internet service providers will be driven out of business over the coming decade, as consumers switch from copper-wire connections through the phone system to fibre connections through cable.

Telephone companies will see their ambitions in value-added services and videoconferencing crumble to dust. Internet-based voice services will take the fat out of international call *margins, and ISDN will rapidly* go the way of the eight-track stereo.

But it is the third effect of Internet cable that will be the biggest. @Home has set up an entire product category to link homes to workplaces via cable. As a result, staff will be able to work from home with access to the corporate computer network indistinguishable from what they would see in the office. The service will probably start at about $800 a year. This low price, and the psychological effect it will have on business people in the industrial world, is likely to accelerate the trend of employing people from home.

The joke people used to make about cable was: "500 channels and still nothing to see." Who would have guessed that cable TV, one of the alleged symptoms of the decay of our society, could provide the means for something that has the potential to do so much good? And in Fremont, of all places?

tim.jackson@pobox.com

The Net gets down to work

A global problem will be addressed online, says Stephen McGookin

An ambitious Internet-based project to study the changing role of employment in Britain was launched last week.

The project – Redefining Work – sponsored by the Royal Society for the Encouragement of Arts, Manufactures and Commerce and IT consultancy Cap Gemini, is a moderated online debate which for the next 18 months will address key employment issues. The debate can be accessed at *http://rsa.cap-gemini.co.uk*

Prue Leith, chairman of the RSA, says it is the first debate of its kind on a significant policy issue to use the Internet in such a formal way. The project would be using "the power of the world's most modern technology to discuss one of the world's most pressing problems".

Although the debate is concerned with UK employment issues, the nature of the Internet means contributions from anywhere in the world can be considered.

The starting point for the debate will be key propositions covering job creation, the definition of "work" and the relationship of technology to employment – codified by Neil Hartley, a senior manager at NatWest – and RSA material such as the text of lectures by Andrew Dilnot, director of the Institute of Fiscal Studies, and contributions from journalists Polly Toynbee and Will Hutton.

While most contributions are expected to come from academic, government and business sources, the project hopes to attract the opinions of individuals and is making an effort to involve British secondary schools.

Submissions will be moderated by an *ad hoc* panel of experts under the auspices of the Economic and Social Research Council, whose main function will be to provide research data and monitor themes as they develop.

The project involves a pioneering use of the Internet, according to Charles Cox, executive director of Cap Gemini. He adds that the aim is to encourage wide participation. For this reason the site will adopt a text-based rather than a graphics-rich approach to design, to encourage those who might be accessing with slow modems.

Detractors might view the project as an example of the "information rich" using technology to distance themselves from the "information poor". Alternatively, the project might just provide a glimpse *of the Net's alleged* potential for helping resolve deep-rooted global social problems.

Cyber sightings

- Project Children is an organisation that brings Catholic and Protestant children from Northern Ireland together for holidays in the US. Its impressive and clever Web site (*www.interwebinc.com/children*) has details of its activities and pictures of some of the children it has hosted. Well worth a look.
- To see how an individual can produce a Web site that is more effective and useful than many corporate efforts, take a look at Dr Ed Yardeni's Economics Network (*www.yardeni.com*). Yardeni is chief economist at Morgan Grenfell in New York and his site is an excellent finance and business resource.
- Navig8 Pacific (*www.navig8.com*) is a useful starting point for research and intelligence on the Asia-Pacific financial markets. It has details of events, economic forecasts and broader analyses of individual countries.
- The Chicago Board of Trade Recyclables Exchange has set up a site (*http://cbot-recycle.com*) which provides information on the growth of recycling materials as commodities. You must register to use it.
- For a good, concise glossary of North American investment terms, check the Financial Center (*www.tfc.com/library2.html*).
- The UK Electronic Commerce Association site (*www.eca.org.uk*) has information on developments in this fast-growing area, as well as events listings and a good set of links.
- The European Bank for Reconstruction and Development site (*www.ebrd.com*) provides a good in-depth overview of its activities in the former eastern bloc. Worth the effort, although it is very graphics-heavy, so loads a bit slowly.
- Naftemporiki, the FT partner newspaper in Greece, will publish the full results of yesterday's Greek general election in English on *http://www.hol.gr/naftemporiki*
- Just when you thought you could happily get by without knowing what a doppler radar picture was, along comes the Weather Channel site (*www.weather.com*), featuring nifty seven-day forecasts and dinky graphics. Be warned: it can become addictive.

steve.mcgookin@ft.com

Financial Times on the World Wide Web
www.ft.com

Travel News - Roger Bray

Comfort criteria

Are airlines wasting money on expensive in-flight entertainment? A survey by the International Air Transport Association suggests that those with the most sophisticated entertainment systems gain a clear competitive advantage. But in a recent poll, readers of the UK's *Business Traveller* magazine ranked them low among priorities.

Their top five criteria were: convenient scheduling (63 per cent), punctuality (61 per cent), safety (59 per cent), speedy check-in (58 per cent) and the carrier's route network (57 per cent). Entertainment was 13th on the list.

Lest cynics imagine that business travellers would never admit to watching inflight movies, only 1 per cent said they wanted fax machines and telephones on planes.

Mandarin tops poll

Hong Kong's Mandarin Oriental was voted the world's top hotel in the same magazine survey. The Sheraton at Paris Charles de Gaulle airport was tapped as best new business hotel. And Singapore's Changi was named favourite airport.

Despite efforts to improve its facilities, there were loud raspberries for New York's JFK, voted worst in five categories: incoming passport control, customs clearance, personal safety, luggage retrieval and duty-free shopping

Tashkent hotel

Forte has taken over management of a hotel in Tashkent, capital of Uzbekistan. It claims that the 315-room property, formerly under the ministry of tourism, will be the first in the city to be run by an international company.

Recently acquired by Indonesia's Bakrie Group, it is now part of Forte's Meridien chain. The hotel, which has an outdoor swimming pool and health club, is undergoing a $6m (£3.87m) facelift.

Argentina alert

Crime is on the increase in Argentina, warns the UK's Foreign Office. Bag-snatching and armed robberies are a hazard in Buenos Aires: on the street, in taxis, even in restaurants.

Travellers should hail moving taxis rather than use those waiting at the kerbside; avoid poorly lit areas at night; and avoid wearing ostentatious jewellery or carrying a lot of cash. If you are confronted by robbers, don't put up a fight.

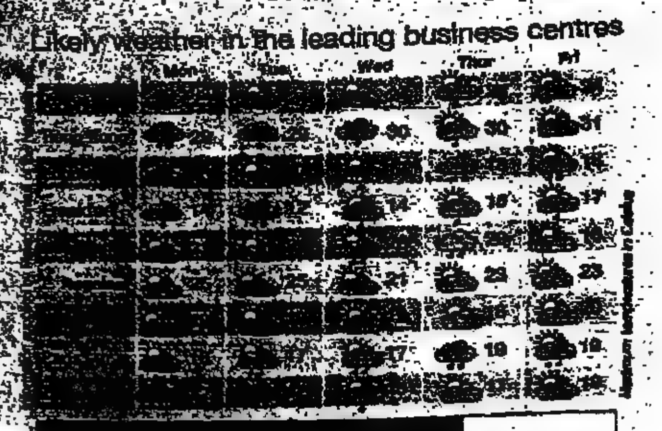
New cyberguide

Finding the most convenient hotel in Europe no longer demands a trawl through guidebooks.

A new PC-based travel planning gadget, HotelDisk, from OAG, part of Reed Travel Group, allows you to call up maps showing sections of the European cities or towns you'll be doing business in, and view a range of accommoda[illegible]

The European version covers 15,000 hotels in [illegible] towns and cities in 49 European countries. You could pinpoint a [illegible] centre, for example, [illegible] closest hotel, che[illegible] facilities and room rates and see whether the[illegible] special deals o[illegible] has already pro[illegible] editions cover[illegible] America and A[illegible]

Hotel lists are [illegible] quarterly and co[illegible] cover more than [illegible] hotels in 14,000 large [illegible] A UK subscri[illegible] European edition [illegible] per year (plus VAT) [illegible] per year (plus VAT) [illegible] three editions.



Farewell to the classless society

Eurostar's new products are set to challenge the airlines, says Amon Cohen

Contrary to assumptions, Eurostar, which runs high-speed trains between London, Paris and Brussels via the Channel tunnel, proved that the train can beat the plane at international business travel.

Now it is set to challenge another travel industry assumption – that trains should offer only two classes of service. *Over the next four months Eurostar will increase its product offerings to four.*

From October 1, the old first class will be divided into Business First and Premium First. Early next year, Standard Class will also be divided, with one section retaining the name Standard and the other probably being renamed Economy Plus. Each of the four classes will have its own dedicated carriages.

Standard will be targeted at the leisure traveller on a budget and will continue to offer the low promotional fares that have been introduced over the past six months. The cheapest of these is £59 for a midweek return from London to either Paris or Brussels.

This fare is of little use to *the business traveller: both* outward and inward jour*neys must be made on a* Tuesday, Wednesday or Thursday, *with a minimum* stay of three nights. The *cheapest standard fare that* is practical for the business traveller – *that is*, not requiring a Saturday night stay – is £165.

This means that most business travellers will move up to the new Economy Plus, where the return fare will be £185. Economy Plus will use normal standard-class seating, but Eurostar has assured its public *that this class will be free of* screaming children. Addi*tional benefits* will include a new 10-minute check-in, and *the operator is also consider*ing throwing in a complimentary drink. No meal will be served but, unlike Standard class, Economy Plus passengers will be able to earn points in Eurostar's forthcoming frequent traveller scheme.

Both the new first classes will also offer the separate 10-minute check-in and frequent traveller points. And passengers will be able to change their departure times by telephone in the UK and France. Previously, they had to buy new tickets and apply for a refund on their unused fares – a rule which caused much gnashing of teeth. In addition, passengers in both new first *classes will receive a free* standard-class ticket each *time they travel.*

As their names suggest, *Business First and Premium* First are being shaped to *make them comparable to* business class and first class on airlines. *Ian Brooks*, Eurostar's executive com*mercial director, says* that Business First will be similar to the old Eurostar first class, with one main exception.

"The biggest complaint we get is that the meal takes a long time to be served," he says. "One of the main rea*sons people choose us* instead of an airline is that Eurostar gives *them time to* work, so it makes sense for us to *speed up the meal ser*vice by putting it all on one tray."

Superior catering is one reason why it will cost nearly £100 more to travel in Premium First than in either economy class. The menu for this luxury service has not been settled, but Brooks says it will include canapés and champagne.

However, most of the extra benefits of Premium First will be outside the train. These include complimentary taxi transfers (or, in London, a chauffeured motorbike), free car parking for those joining the train at Ashford in Kent, and use of Eurostar business lounges at all destinations.

Also, only Premium First travellers will be able to *exchange their tickets for a* flight with British Midland to and from Paris and Brussels. Eurostar is talking to *other airlines about making* tickets exchangeable, and British Airways is likely to be the next to sign an agreement.

Eurostar has also revealed more details of the frequent-traveller scheme which will be launched in November and will be heavily associated with the Virgin Freeway loyalty programme. The Virgin Group is part of the London and Continental Railways consortium which bought the Eurostar franchise earlier this year.

Eurostar fares London-Paris return

Standard from	[illegible]
Economy plus	£185
Business first	[illegible]
Premium first	£352

Brooks, formerly with the Virgin Atlantic airline himself, says that the frequent traveller programme will include Le Shuttle and high-speed continental railway tickets among its rewards. Le Shuttle is the car transportation service which shares use of the Channel tunnel with Eurostar.

The sharpening of Eurostar's sales and marketing programmes under Virgin's influence has compounded the problems for Eurostar's airline competitors. Eurostar claims to have gained a 56 per cent share of the London-Paris and London-Brussels markets, although the figure was even higher last month. Thanks to a battery of leisure promotions, it had 500,000 passengers, it says, compared to 300,000 air travellers on the two routes.

The consolation for the airlines is that Eurostar's advent has virtually doubled the London-Paris and London-Brussels markets. Before the train service started operations in late 1994, there were 300,000 passengers per month to Paris and 100,000 to Brussels.

Nevertheless, the airlines have changed their strategies to deal with their new rival. Earlier this month British *Midland* announced a package of enhanced ser*vices for business travellers, including wider seats*, a better meal service and *separate business-class* lounges.

Perhaps most significant of all in terms of finding an answer to the 10-minute Eurostar check-in, British Midland is also set to introduce self-service machines. These will enable business travellers to collect and purchase tickets, check in and select their own seats.

However, with Eurostar hoping to double its passenger numbers over the next two years, British Midland realises that London-Brussels and London-Paris can no longer be viewed as the cornerstone of its route network. It has launched services to Prague and Zurich in recent months, and more far-flung destinations can be expected shortly. "We are developing routes deeper into southern and eastern Europe and farther away from the Channel tunnel," says the airline.

Air France is also introducing self-service ticket machines. It has them at Paris Charles de Gaulle, and London Heathrow is being considered.

Its other plan is to reduce capacity on the Charles de Gaulle-Heathrow route by using smaller aircraft – but to increase frequency. Accordingly, departures will rise from nine to 11 per day this winter. The French flag-carrier, which already flies from London City airport to Paris Orly, is also introducing a service to *Charles de* Gaulle from London City on *October 27*.

Happier landings in London

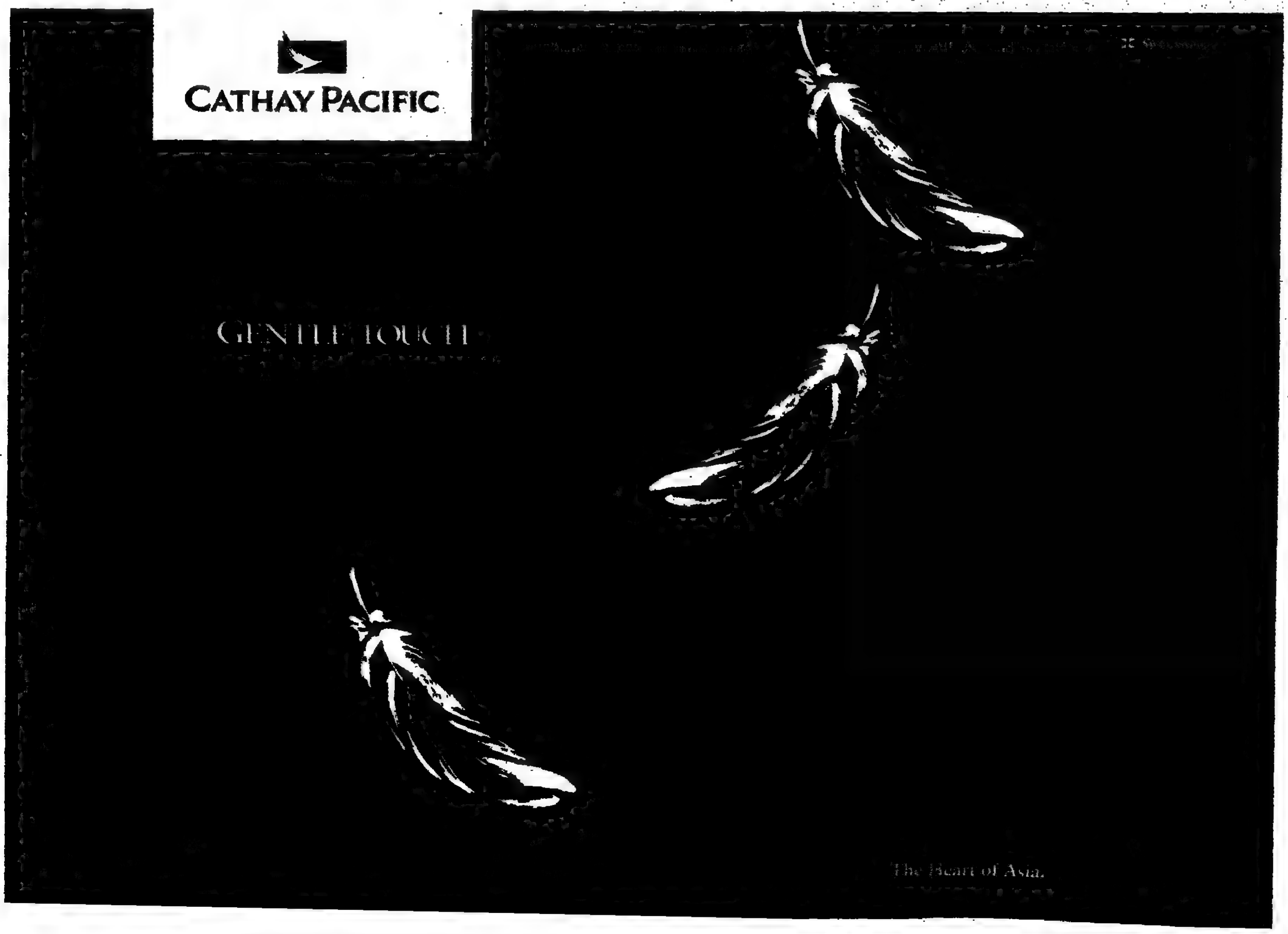
As a general rule, *travellers should* never allow their *bags out of sight* unless there is no alternative. But even wise old birds may be tempted by United Airlines' latest offer.

The US giant at last opens a dedicated arrivals lounge at London Heathrow on October 1 – with a promise to deliver luggage anywhere in the capital. That would allow passengers to taste the delights of the Piccadilly Underground line unencumbered.

United had been unable to acquire space at the airport and used rooms in the nearby Forte Crest hotel as a substitute arrivals lounge while arch-rival American cosseted customers in Terminal Three.

Passengers at the new lounge will be able to have their clothes pressed and shoes cleaned, have breakfast and a shower, and use business facilities including modem-equipped phones. On the same day, the airline opens similar facilities in Chicago and Miami.

Roger Bray



ARTS

OPENINGS

BRISBANE
The second Asia-Pacific Triennial of Contemporary Art opens on Friday at the Queensland Art Gallery, where it will run for four months. More than 70 artists from 17 countries are represented in the show, the aim of which is to increase Australians' knowledge of their region's cultures and to help them define their own cultural identity.

BIRMINGHAM
Birmingham's branch of the Royal Ballet will present two new works during this week – *Le Baiser de la fée* by Canadian choreographer James Kudelka and "The Nutcracker Sweeties" by David Bintley, which is set to Duke Ellington's jazz version of Tchaikovsky. Ashton's *Les Patineurs* completes this triple bill, which opens on Thursday and will subsequently tour.

BONN
A century of Austrian art goes on display at the Kunst- und Ausstellungshalle on Friday. It comprises nearly 400 paintings, drawings and sculptures, including renowned works by Klimt, Schiele and Kokoschka, and examples of postwar Austrian art.

Friday dawns in Leipzig

David Murray on the latest part of Stockhausen's seven-day cosmic cycle

Behind the Iron Curtain for too long, Leipzig has been almost forgotten by westerners, even West Germans. Yet it is an ancient and venerable city, proud of its associations with Leibniz, Goethe, Lessing and Schlegel; and unlike Dresden, its more ornate neighbour on the Elbe, it suffered only moderate damage from wartime bombs. Bach's Thomaskirche still stands, and outside it his leonine statue, for which Mendelssohn organised the funding.

The huge Auerbach cellar, immortalised in Goethe's *Faust*, is in excellent nick; one eats and drinks very well there now, undistracted by brawling medieval students. In fact much of the *Innenstadt* remains, though the antique bourgeois pomp is interleaved with faceless postwar buildings. Just one needle-like skyscraper, a university tower from the 1960s, pokes up absurdly from its mellow, picturesque surroundings. Anyone enamoured of Sir Norman Foster's latest project for the City might visit Leipzig to contemplate the effect.

At present Leipzig is a vast building site, for federal money is being poured into a general refurbishing. The central Augustus Platz, with the 1960 opera house at one end and the new Gewandhaus home of Leipzig's great orchestra at the other, has been dug up for installing an underground car-park. In a year or two, the city will be handsome again. Meanwhile the Gewandhaus and the Oper Leipzig continue to do excellent business.

I heard the Gewandhaus Orchestra and its conductor Kurt Masur play Bártók and Bruckner, revelling in the superb acoustic of their hall. In Bartók's Divertimento, the Leipzig strings had a sharper bite and pounce than Solti had drawn from the Vienna Philharmonic at Salzburg last month. And Bruckner's Third Symphony sounded wonderful: chaste, lovely woodwinds, brass of refined density, sonorous curtains of strings. Masur's structural grasp ensured revelations; this was the richest, most potent Third in my experience.

At the other end of the Platz, the Intendant Ugo Zimmermann has been doing brave and remarkable things with the Opera. The latest was the premiere of Karl-Heinz Stockhausen's *Freitag* (Friday), fifth in the colossal seven-days-of-the-week cycle *Licht* that he has been composing since 1977. *Donnerstag* was seen at La Scala and Covent Garden, *Samstag* in Milan's Palazzo dello Sport, *Montag* at La Scala again; then Leipzig bid for *Dienstag*, and staged it in 1993. Five down, two to go: Leipzig is planning *Mittwoch* for 1999, and *Sonntag* will appear somewhere early in the new millennium.

'Freitag' is as loopy, original and fascinating as its predecessors

Freitag is as loopy, original and fascinating as its predecessors, though like *Dienstag* it is relatively short, less than three hours. The manufacture of Stockhausen's cosmic myth goes on, this time with Eva (Eve) again its central protagonist, as in *Montag*. *Montag* was – I *think* – chiefly about birth and children: I recall vividly the massed prams on the Scala stage. *Freitag*, appropriately for its day, is about love, and miscegenation too.

Half the cast is blacked-up, in rampantly non-p.c. style. The soprano Eva (Angela Tunstall, fragile and beautiful), is pressed by the black bass Ludon (Nicholas Isherwood), an "emanation" of Lucifer, the star of *Samstag*, to conceive a child with his son Kaino (Jürgen Kurth). At the start of Act 2 she succumbs to him, in a long, chromatic duet which has *Tristan* somewhere behind it.

Meanwhile a chorus and stage orchestra of sailor-suited white children (there is no other orchestra: electronics supply all the musical support) have encountered a tribe of black children with African instruments. First, playfully, they sing and perform at each other; later in Act 2, they start a war in which the black kids avoid defeat only by wheeling on a fire-breathing pink rhinoceros. At last everybody – including Eva – agrees to "repent" (without much conviction), and a "choir spiral" sings from within a giant candle-flame.

Those are all the dramatic events, and they transpire very slowly. Eva is usually accompanied by two other principals who do not sing, but offer comment, advice and support on flute and basset-horn (Kathinka Pasveer and Suzanne Stephens, members of the composer's strange extended family) whilst dancing about her. Twee, yes; but Stockhausen's musical inventions for them are enchantingly fresh.

Above and around them, a dozen pairs of dancers materialise from time to time: from trapdoors, on revolving peepshow turntables, in suspended metal balloons. They represent male/female pairs: man/woman, dog/cat, rocket/moon, racing driver/racing car, drug syringe/naked arm, pencil/pencil sharpener (a real *vagina dentata*, that), ice-cream cone/female mouth, violin bow/violin and so forth. Witty, lightly pornographic costumes by Johannes Conen, who also did the sets and lighting; choreography by Johannes Bönig. (The first run of *Freitag* ended yesterday, but it may be revived next spring.)

Ultimately, though, Stockhausen is responsible for everything. He vets every detail obsessively. The all-electronic score (with bursts of *musique concrète* in Act 2 when the couples begin to switch partners, with bizarre results) permits him the total control he wants. Spacey and infinitely slow, it surrounds the audience and invades it, meditating on single notes and glacial chord-transformations; it even commands the foyer, before the opera and after, with a long "greeting" and "farewell".

About Stockhausen's megalomaniac pretensions I make no comment (though his current plan for erecting seven different buildings, in which *Licht* will be performed in perpetuity, does seem a bit OTT). But the musical "language" he has developed, from *Musik im Bauch* and his Zodiac pieces for music-box to the *Kinderorchester* of *Freitag*, is astonishing and weirdly beautiful – not quite tonal and yet tonally based, deceptively simple, robustly plain. I have no idea how he does it; the fantastically elaborate calculations he uses are surely only half of the story.

Peter Rose and Matthias Holle as the giants with John Tomlinson's Wotan Alastair Muir

Thoughtful dignity of Russian pianist

All in all, the final stage of the Leeds Piano Competition made a lot of people very happy. After the last concerto ended on Saturday night, live on BBC2 and Radio 3, more than 26,000 of them rang to vote on the Beeb's impromptu "audience prize" – and the competition's doyenne, Fanny Waterman, must have been mightily relieved that this year, unlike 1993, they agreed with the official jury.

The winner, 29-year-old Ilya Itin, is a sensitive, introspective artist and a fine pianist (and he looked good, all brooding Russian intensity). Not for him a mad gallop through his chosen concerto, Rakhmaninov's *Rhapsody on a Theme of Paganini*: he treated it with thoughtful dignity. To speak of "the winner", however, is only to mention the official outcome. In this remarkable contest, at least four of the other finalists had striking virtues too, barely commensurable.

For the jury, settling on a final placing – and taking into account everybody's earlier performances in the competition must have been a tricky, partly intuitive business. Armen Babakhanian chose the *Rhapsody* too (like Sa Chen, who sparkled predictably), and he brought a demonic energy to some passages that made Itin sound pale; but a trivial memory lapse, though well covered up, seemed to leave him chastened in the later stretches. I thought his semi-final recital had been more consistently impressive than Itin's, and showed authority in a greater range of styles.

Aleksandar Madzar, whose semi-final had displayed a wonderful command of colour but not much vitality, sprang to life in Prokofiev's Third Concerto: dazzling and searching, it was surely the outstanding finals performance. In Rakhmaninov's Second Concerto, Ekaterina Apekisheva's polished performance suffered from her way of being expressive, which here always meant dropping behind the beat.

It was a foregone conclusion that in the same work Roberto Cominati would trump her, leading the orchestra imperiously instead of following it – though he rarely inflected the melodies, preferring to channel "expression" into his flexible, artfully gauged rhythms. If you waved a label that said "speed merchant" anywhere near Cominati or Babakhanian, it would stick; but in the semi-finals, Cominati's brilliance in Schumann's *Carnaval* and some unshowy Debussy had been far more than digital. He plays almost anything with superb, unruffled assurance; his technique seems to be seamless, whereas with Babakhanian the mechanism is always visible.

All praise to the conductor Simon Rattle and his City of Birmingham Symphony, whose accompaniments for the concerti were miracles of close sympathy and unfailing support. Praise to the BBC and its two commentators too, Howard Goodall and the perceptive, practical Iain Burnside: one could hardly imagine the competition more expertly and lucidly presented.

DM

Das Rheingold/**Richard Fairman**

Return of the Rhinemaidens

The Michelin girls are back in town. The fat, flubbery Rhinemaidens who have become the most memorable image of this *Ring* cycle took to the stage again on Saturday, looking every bit as though they had just rolled out of a trendy tyre advertisement.

This will be the first time that the Royal Opera's new production of Wagner's *Der Ring des Nibelungen* has been seen in its entirety. The individual parts were introduced over a period of 18 months, when they made a lot of people very angry. A man a few rows along from me shouted something rude during this performance but at the end the reception was fairly enthusiastic.

Coming to it for the first time, I would guess that *Das Rheingold* suits the off-beat talents of Richard Jones and Nigel Lowery, the producer and designer, better than the later operas. Other recent productions, including the current one at Bayreuth, have found irony in it. The difference with Jones is that he has a punkish humour, like a naughty boy who does not know when to stop.

The most annoying aspect is the rum characterisations that the singers find hanging in the dressing-room wardrobes when they arrive. Fricka is a wife, so the fine Jane Henschel has to play her in a wedding dress. Matthias Hölle and Peter Rose, as the giants Fafner and Fasolt, hobble about in a single suit like Siamese twins. Do not ask me why Erda is a ballroom dancer, but Catherine Wyn-Rogers sang her solo without plumminess.

In fact, take the costumes away – the Rhinemaidens are already in their plastic birthday suits – and this would be a far less silly production. It has humour, vitality, some insight, and at least two outstanding performances. As Wotan, John Tomlinson seems even more titanic than before, singing with enormous force and projecting a personality of rapacious ambition. The scenes between him and Philip Langridge's sharp dealer of a Loge are Wagnerian opera at its most vivid.

For them, for some of the other singers and Pat Collins's striking lighting of Lowery's modernist designs, this was an enjoyable beginning to the cycle. Add Bernard Haitink's conducting and the plus points are well in the ascendant. But more of that anon. *Die Walküre* is not until next Monday and the whole of this first *Ring* cycle (there are two more to come) is spread over three weeks.

INTERNATIONAL
ARTS GUIDE

■ AMSTERDAM

EXHIBITION
Rijksmuseum Tel: 31-20-6732121
● Nederlandse wapens uit Rusland: this exhibition features 17th century Dutch fire arms from the imperial armoury at the Kremlin in Moscow. The weapons were given to the Russian tsars *by the Dutch*: to Sep 29

■ BALTIMORE

EXHIBITION
Baltimore Museum of Art Tel: 1-410-396-6300
● Andrew Wyeth: America's Painter: this exhibition features 50 works – all but one loaned by a single collector – by the American artist Andrew Wyeth. Included in the exhibition are still lifes, landscapes, portraits, nude figure studies, and interiors; from Sep 25 to Feb 16

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Berliner Sinfonie-Orchester: with conductor Michael Schoenwandt, pianist Homero Francesch and mezzo-soprano Mette Ejsing perform works by Wagner. Part of the Berliner Festwochen; 8pm; Sep 26
● Staatskapelle Berlin: with conductor Hugh Wolff and pianist Bruno Leonardo Gelber perform works by Berlioz, Beethoven and Ravel; 8pm; Sep 24, 25
Philharmonie & Kammermusiksaal Tel: 49-30-2614383
● Guarneri Quartet: with viola-player Kim Kashkashian perform works by Brahms and Fauré; 8.30pm; Sep 25

OPERA
Komische Oper Tel: 49-30-202600
● Die Fledermaus: by J. Strauss. Conducted by Yakov Kreizberg and performed by the Komische Oper. Soloists include Dagmar Schellenberger, Tatjana Korovina, Günter Neumann and Klemens Slowioczek; 7.30pm; Sep 26

■ BIRMINGHAM

CONCERT
Symphony Hall Tel: 44-121-2002000
● City of Birmingham Orchestra: with conductor Sir Simon Rattle, soprano Elena Prokina and bass Michail Ryssov perform works by Bruckner and Shostakovich; 7.30pm; Sep 26

■ BRUSSELS

THEATRE
Koninklijke Vlaamse Schouwburg Tel: 32-2-2194944
● Les Paravents (The Screens): by Genet. Directed by Rik Hancké and performed by the Koninklijke Vlaamse Schouwburg (in Dutch). The cast includes Monique Kuijpers, Anja van Riet, Tom van Bauwel and Joeri Hancké; 8pm; Sep 26

■ CAMBRIDGE

EXHIBITION
Fitzwilliam Museum Tel: 44-1223-332900
● John Downman (1750-1824): Landscape, genre and portraits of "rank and fashion": this exhibition includes a selection of John Downman's portrait drawings, studies of children and animals, and figure drawings. Also on display is a group of watercolour landscapes of Rome and its surrounding countryside, painted during Downman's visit to Italy in 1773-74; from Sep 24 to Jan 31

■ COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Vogler Quartet: perform works by Haydn, Ligeti and Smetana; 8pm; Sep 25

■ COPENHAGEN

CONCERT
Tivoli Concert Hall Tel: 45-33 15 10 01
● Danish National Radio Symphony Orchestra: with conductor György Fischer and mezzo-soprano Cecilia Bartoli perform works by Mozart and Rossini; 8pm; Sep 26

■ HELSINKI

DANCE
Opera House Tel: 358-0-403021
● Don Quixote: a choreography by Patrice Bart after Petipa to music by Minkus, performed by the Finnish National Ballet. Soloists include Jessica Kellgren, Juha Kirjonen and Jorma Uotinen; 7pm; Sep 26

■ LEIPZIG

CONCERT
Gewandhaus zu Leipzig Tel: 49-341-12700
● Gewandhausorchester: with conductor Dmitri Kitajenko and violinist Isabelle van Keulen perform works by Lyadov, Shostakovich and Prokofiev; 8pm; Sep 26, 27

■ LONDON

CONCERT
St. John's, Smith Square Tel: 44-171-2221061
● Mass in B minor: by J.S. Bach. Performed by the King's Consort, the Tölzer Knabenchor and The Choir of the King's Consort with conductor Robert King. Soloists include tenor Anthony Rolfe-Johnson and bass David Wilson Johnson; 7.30pm; Sep 25
Wigmore Hall Tel: 44-171-9352141
● Lorraine McAslan and Nigel Clayton: the violinist and pianist perform works by Dohnányi, Walton and Rózsa; 7.30pm; Sep 24

EXHIBITION
National Gallery Tel: 44-171-7472885
● Now we are 64: Peter Blake at the National Gallery: In August 1994, Peter Blake became the third National Gallery Associate Artist with a brief to produce works inspired by the paintings in the Gallery's collection.
This exhibition features works created or completed by Blake while at the Gallery.
Included are his series of paintings "Madonna of Venice", showing contemporary Californian scenes that include images of the Virgin and Child taken from paintings by Old Master painters such as Bellini and Correggio; from Sep 25 to Jan 5

■ NEW YORK

EXHIBITION
The Pierpont Morgan Library Tel: 1-212-685-0008
● Seeking the "Splendid Mystery". Presidential Races from Washington to Truman: this exhibition offers an overview of presidential elections in the United States from the time of George Washington to Harry S. Truman.
Campaign pamphlets, broadsides, engravings and private letters of winners, losers, and observers document some high and low points in the history of American elections. The exhibition also traces the development of political parties, contested elections, and the expansion of the vote to African-Americans and women; to Jan 5

■ PARIS

OPERA
L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99
● La Bohème: by Puccini. Conducted by Mark Elder and performed by the Orchestre et Choeurs de l'Opéra National de Paris. Soloists include Franco Farina, Franck Leguérinel and Nuccia Focile; 7.30pm; Sep 24

■ SAN FRANCISCO

CONCERT
Louise M. Davies Symphony Hall Tel: 1-415-864-6000
● San Francisco Symphony: with conductor Michael Tilson Thomas perform works by Webern, Mahler and Stravinsky; 8pm; Sep 25, 26 (2pm) , 27

■ VIENNA

OPERA
Wiener Staatsoper Tel: 43-1-514442960
● Capriccio: by R. Strauss. Conducted by Peter Schneider and performed by the Wiener Staatsoper. Soloists include Felicity Lott, Margaretha Hintermeier and Peter Weber; 8pm; Sep 25

Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands. **Tel: 31 20 664 6441. E-mail: artbase@pi.net**

WORLD SERVICE

BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Michael Prowse · America

Monetary vigil

Fed chairman Alan Greenspan should ignore the siren voices telling him that the battle against inflation is won

Tomorrow's meeting of the US Federal Reserve could prove of historic importance. If governors and regional presidents vote to raise interest rates modestly, they will be sending a strong signal that the US is committed to maintaining permanently low inflation. If they do nothing, the safest conclusion may be that US inflation will begin to drift higher in coming years. Mr Alan Greenspan and colleagues will have shown they lack grit. They will have bowed to pressure from politicians and academics to pursue a more "expansionary" policy.

The case for raising rates modestly is perfectly clear. Mr Greenspan has rightly argued on numerous occasions that Fed policy must be designed to act pre-emptively. The central bank must "look beyond current data readings and base action on its assessment of where the economy is headed". The reason is simple: rate increases exert a restraining influence only with a considerable lag, often as long as a year to 18 months. The fact that most measures of inflation are at present subdued – the "core" rate of consumer price inflation, for example, recently dropped to 2.6 per cent – is irrelevant. What matters is the future outlook for inflation.

Since the beginning of this year, the Fed and other forecasters have been predicting an economic slowdown. There was even talk of a recession. Yet instead of slowing, growth accelerated to an average annual rate of 3.4 per cent in the first half. In the second quarter, growth increased to an annual rate of 4.8 per cent – about twice as fast as the economy's long-term potential.

Fast growth has caused a rapid tightening of labour markets. Employment is growing about 30 per cent faster this year than last year. The jobless rate has plunged from an average of 5.6 per cent last year to 5.1 per cent last month. This is far below estimates of the level of unemployment consistent with stable inflation – the so-called Nairu – which is reckoned to be about 5.8 per cent.

The fall in unemployment is having the expected impact on pay. Growth of average earnings has increased steadily for the past three years. The employment cost index (which includes fringe benefits) was up 3.2 per cent in the most recent quarter, compared with 2.8 per cent last year. Wages will receive a further boost this October when the national minimum wage is increased.

Opponents of rate increases will point to sluggish growth of retail sales as a sign the economy may slow naturally in the second half. But the retail sales figures are notoriously unreliable. Revisions frequently exceed the monthly changes. If domestic demand were really soft, would the US trade deficit be widening at an alarming rate? The July deficit of $11.7bn (£7.5bn) was one of the worst on record, and other figures suggest no loss of economic momentum: housing starts, for example, rose 4.5 per cent last month to their highest level in more than two years. Is this a sign of an economy crushed by an excessively tight monetary policy?

The facts are these: wage pressures are mounting, the jobless rate is in the inflationary danger zone, and economic growth is far above its long-term potential. Growth might slow sharply in coming months. But given the lags in monetary policy, the question is whether it would be prudent for the Fed to rely on this happening. To their credit, the majority of the Fed's regional presidents apparently think not. A leak last week showed that eight of the 12 presidents are requesting an increase in the discount rate – five want a quarter-point increase and three a half-point increase.

The discount rate – now of largely symbolic significance – is controlled by the Fed's seven Washington-based governors. The requests for an increase from the regional presidents, however, are a sign that they favour an increase in the federal funds rate, which is now 5.25 per cent. The federal funds rate is the benchmark for short-term rates throughout the economy and is under the direct control of the Fed's open-market committee, which meets tomorrow. The regional presidents command five of the 12 votes on the committee.

Tomorrow's decision – which everyone agrees is finely balanced – will depend largely on the stance adopted by Mr Greenspan, who has acquired tremendous authority in his nine years as Fed chairman. President Clinton's appointees on the Fed's board – Ms Alice Rivlin, the vice-chairman, and Ms Janet Yellen and Mr Laurence Meyer (both academic economists) – may argue that, with inflation subdued, the Fed can afford to wait a little longer to see whether the economy slows of its own accord. Some of the regional presidents will take the opposite line.

To justify a modest quarter point increase in rates, Mr Greenspan does not even have to talk of tightening policy. He can simply argue that some of the recession "insurance" taken out in the past 18 months (three quarter-point cuts in rates) is now no longer needed. If it was right to lower rates last year when the economy looked weak, it is surely right to raise them now when it looks strong. If the economy does subsequently slow down, rates can easily be reduced again.

Politically, the easiest option for Mr Greenspan would be to postpone a decision on rates until after the election. But this would not be the most economically prudent decision. After nearly 20 years of struggle the US is on the verge of achieving "price stability". It would be tragic if the Fed threw in the towel just when success was within reach.

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com. Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

Minister dented HK confidence

From Ms Emily Lau.

Sir, Governor Chris Patten's tough remarks on the Chinese government's plan to set up a provisional legislature in Hong Kong to replace the Legislative Council ("Patten firm over HK legislature", September 16) contrasted sharply with the tepid remarks made by Mr Jeremy Hanley, visiting foreign minister responsible for Hong Kong.

Speaking to legislators on September 16, Mr Hanley refused to condemn the provisional legislature as a breach of the Sino-British Joint Declaration, even though the accord makes no reference to such a body. He also said the British government had not taken legal advice on the subject and would only consider doing so if and when the provisional legislature was formed.

Unlike Mr Patten's unequivocal rejection of the provisional legislature, Mr Hanley was more circumspect, leaving the door open to possible co-operation with the body. This begs the question of who actually represents London's position.

The tactic of running with the foxes and chasing the hounds may be a hallmark of British diplomacy, but it goes down poorly with the Hong Kong people, who have become increasingly indignant and contemptuous of London's refusal to stand up for the colony.

Your report said China's plan to set up the provisional legislature "has emerged as the most serious remaining obstacle to a smooth handover on July 1 next year". This is not entirely correct.

Another issue which arouses more concern and unease is the selection of the chief executive of the Hong Kong Special Administrative Region, a process in which the Hong Kong people have no say at all. The formation of the 400-member selection committee to "elect" the chief executive is a farce because everyone knows the choice will be made by Beijing and Beijing alone.

This has created a sense of powerlessness, frustration and resentment among many Hong Kong people, and the situation is compounded by a sagging feeling that the colony's free lifestyle and the rule of law will be undermined in the years to come.

Further, many issues remain unresolved in the Sino-British Joint Liaison Group and they could affect a smooth handover. With 280-odd days left, Mr Hanley's shifty and lame responses to the many burning issues facing the colony do not inspire confidence.

Emily Lau,
legislative councillor
Room 422 West Wing,
Central Government Offices,
11 Ice House Street,
Central, Hong Kong

UK opt-outs contrary to founding vision

From Mr Stanley Crossick.

Sir, Malcolm Rifkind argued in Zurich against monetary union between only some member states because it would create an EU different from that envisaged by the founding fathers ("Rifkind revives Churchillian vision", September 18).

Does this speech herald a fundamental change in British government policy? Does the government now accept the goal of political union and the original preamble and objectives of the Treaty of Rome? Or is this just advocacy *à la carte*, that is to say, pleading each case as it comes without the need for consistency?

The UK's opt-outs at Maastricht, and many of its submissions to the intergovernmental conference, are fundamentally contrary to the founding fathers' vision.

Stanley Crossick,
Belmont European Policy Centre,
42 Boulevard Charlemagne,
B-1040 Brussels, Belgium

Shift seat of power

From Mr Guy du Parc Braham.

Sir, Ian Davidson ("Showdown time", September 18) wonders how Tony Blair, as UK prime minister, could avoid the old rhetoric of "defending the national interest, national sovereignty and the balance of power" so as to be in a better position to forge compromises with the UK's European partners. One measure he or, for that matter, John Major could take would be to transfer overall (ministerial) responsibility for Europe from the Foreign Office to the Cabinet Office, where Whitehall's EU activities are already co-ordinated. Above all, this would:

- Correctly allocate control of European policy to those who bear the consequences of the deals, namely the home departments whose policies the Foreign Office compromises on their behalf and whose ministers end up negotiating the European legislation giving it effect.
- Send a clear message that the UK no longer regarded negotiations about the EU as "foreign" and the province of "foreign" specialists whose culture is all about the language of national sovereignty and the balance of power.

Guy du Parc Braham,
144 Strathville Rd,
London SW18,
UK

Devaluation for whole of D-Mark bloc questionable

From Mr George Magnus.

Sir, Samuel Brittan claims a definitive solution to a controversy ("Right rate for the franc", September 12), by stating that it is not just France that needs a devaluation but the whole D-Mark bloc. To assert this begs two comments: it suffers from a realpolitik by-pass and is questionable on economic fundamentals.

The franc's real effective exchange rate has been broadly stable since the 1987 realignment while the D-Mark rate has soared by 20 per cent since 1991, as the article showed. This would suggest, on competitive grounds, that Germany's unemployment was high and chronic relative to France when, in reality, the reverse is the case. Moreover, since 1990 Germany's output has been superior for the most part and in recent years Germany has made deeper inroads in cutting the structural component of the budget deficit.

None of this is to pretend that Germany's economic track record or prospects are sound. But two points are worth noting: first, structural economic problems after unification may have cut the potential growth rate to about 2 per cent and, in this context, Germany has no option but to follow structural policies to raise growth and employment; second, Germany chooses to pursue hard currency/low inflation policies to secure long-run competitiveness as it has done for decades.

But this does not mean France has to do likewise and, arguably, her relatively recent conversion to these policies may have stopped real wages falling, compounding the impact of rigid labour market policies to produce one of the highest unemployment rates in Europe, especially among under-25s. We should not be seduced by elementary purchasing power parity comparisons of the D-Mark/franc rate to conclude that the franc is at the right rate and that it is the D-Mark bloc that should be devalued. This aside, the chances of Germany's pursuit of a devaluation of the D-Mark or the euro are, to put it mildly, slim.

Sir Samuel's last point, however, is a definitive solution to a controversy. Active and urgent labour market reforms in Europe will do wonders for employment and growth and bolster EMU's economic viability. Otherwise, the economic prospects and political consequences are as he warns quite correctly.

George Magnus,
22 Southwood Avenue,
Highgate, London N6, UK

Personal View · Stein Ringen

Cost of family breakdown

The decline of the traditional unit has far-reaching economic as well as social penalties

For centuries Europe's peoples have lived their lives in families. But in one generation, European societies have gone halfway to eliminating stable family households.

New unions (cohabitation included) are now more likely to collapse than survive for a lifetime. Today's children are the first generation to grow up under the influence of profound family instability.

The breakdown of the family is causing damage to the social and moral fabric of society. But there is also an economic cost which is much higher than is often recognised.

When a family sits down to a meal, its members enjoy the product of a range of activities which are carried out in the market and in the household.

From the market, they benefit from farming and fishing, processing, packaging, storage, transport and retailing. The family contributes by shopping, preparing ingredients, cooking, setting the table and washing up afterwards.

In all these, labour and capital go into production: the farmer's time and the use of a tractor, the cook's time and the use of tools, stoves, and dishwashers. Families could of course have their meals without any work of their own if they went to restaurants, but much of the time, and for good economic reasons, we make our own meals.

A great deal of production is done by families: the production of a clean home (unless there is a paid housekeeper); cleaning clothes (unless a laundry is used); caring for children (perhaps helped by a nanny); caring for the sick, frail or old (again, this is sometimes done with paid help).

All these activities are production, every bit as much as when similar activities are provided in the market for payment, and they all contribute to the family's standard of living by adding to the goods and services purchased in the market.

In the process from market goods to consumption, value is also added in the family by co-operation – the shared use of common goods. A single man living alone enjoys the benefit of his home. If he is joined by a woman, she will also enjoy the benefit of the home without the man having to give up his housing. Through co-operation, two people (or more) can share the benefit of one house – and similarly its equipment, television, hi-fi, car and so on.

Now suppose everybody lives on their own (no household co-operation) and adds nothing to the goods they buy in the market (no household production). In conventional economic terms, this would have no impact on their standard of living, as measured by gross domestic product per capita. But undoubtedly there would be a loss for individuals in terms of the goods and services they could consume.

> A great deal of production is done by families: the production of a clean home, caring for children, and caring for the sick, frail or old

Families thus add value to market goods and services – and it is possible to estimate the amount they add. The value of domestic production can be estimated from the time spent on household work, while that of co-operation can be estimated using economic techniques that account for the economies of scale involved in sharing.

Using conservative assumptions which deliberately keep estimates low and down to earth, my calculation is that domestic production increases household income in the UK by about 50 per cent on average. Domestic co-operation adds another third on top of household income and domestic production.

Taken together, domestic production and co-operation more than double the value of household income. In other words, the material standard of living would be more than halved if it were not for the effects of living in households. In the national economy, households contribute as much as market institutions. This is an astonishing result for a country where the family is often believed to have become marginal in economic terms.

But there is another finding that may offer a clue to what politicians see as the absence of the feelgood factor – the fact that, despite economic growth, voters do not feel better off. In the 10 years to 1986, the value added by domestic production and co-operation declined – in 1976, it had increased household income by 126 per cent, a decade later this figure had dropped to 113 per cent.

Over this period, economic growth in terms of income per capita was 31 per cent. But the standard of living, measured in terms of the goods and services finally consumed by individuals, increased by only 23 per cent. More than a quarter of economic growth was absorbed by a fall in household production and co-operation because households became smaller and families more unstable.

It would be reasonable to assume that what was previously provided by households is now provided by the market. This would mean that about half the growth in income per person has, in fact, gone to replacing domestic production and co-operation. Real growth in the standard of living between 1976 and 1986 was therefore less than 15 per cent, rather than the headline figure of 31 per cent.

The reason people do not feel better off, therefore, is that there is not much to feel better off about. Even with reasonable economic growth, most people have not seen much improvement in the amount of goods and services they consume.

Family decline is not all bad news, of course. Young people are now able to leave the parental home earlier, the elderly are able to live on their own longer, families can afford to eat out more often.

But trends, such as an increasing incidence of divorce, a larger number of single parents, more cohabitation and more children growing up in family instability, have considerable economic costs, as well as more widely known social costs. Politicians who worry about the elusive feelgood factor should look as much to the family as to the market.

The author is professor of sociology and social policy at Oxford university. This article draws on material from his forthcoming book, Citizens, Families and Reform *(Oxford University Press, November 1996, £30).*

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Monday September 23 1996

Raising the price of Emu

Their countries are struggling to meet the fiscal down-payment for economic and monetary union set by the Maastricht treaty. But the European Union finance ministers, meeting in Dublin, have raised the cost still further by endorsing the "stability pact". Making such promises may be one thing; living by them another.

The idea is that countries with uncorrected fiscal deficits of more than 3 per cent of gross domestic product would make non-interest paying deposits that could then turn into fines. The precise modalities, including the size of the fines, are yet to be decided. But there is now agreement on the principle.

The question is whether it also makes sense. The answer is that it has some validity, but is decidedly risky.

First, while there is a link between fiscal policy and expected inflation, the connection is not a mechanical one: Italy, with its high public debt and penal real interest rates, proves the first point; Belgium, with still higher public debt and much lower interest rates, demonstrates the second. Furthermore, whether any deficit should give cause for concern depends largely on the overall indebtedness of a country.

Second, if there is to be fiscal flexibility, deficits will normally have to be considerably less than 3 per cent. Thus the prospective participants are committing themselves to further progressive reductions in fiscal deficits. Past performance suggests they will have to eliminate fiscal deficits in normal circumstances, or even run surpluses.

Finally, variations in fiscal deficits are virtually the only method of short-term adjustment available to participants in Emu. History suggests the needed swings may be large. In France, for example, the deficit swung from 1.2 per cent of GDP in 1989 to 5.8 per cent in 1993. Maybe this was too large a response to the slow growth. But could heavy penalties be sensibly imposed on a country willing to accept such swings?

The proposed fines are the equivalent of nuclear bombs. Suppose the country were to persist with the deficit. Then forcing it to pay the fines would lead to a direct collision between the domestic politics behind the deficit and the EU. The latter could easily lose.

None of this is to deny the political necessity of the pact. Before the marriage Germany must be wooed with fair promises. Whether its suitors will live by their protestations afterwards is another matter.

Thomson's fate

This week French ministers will meet to debate the fate of Thomson, the defence and consumer electronics group due to be privatised shortly. The two rival bids for Thomson, from Alcatel, the telecoms giant, and from the Lagardère Group, the defence and publishing conglomerate, will in essence be judged by which best serves the French national interest.

It is now clear that, contrary to the initial wishes of the government, both bidders will attempt to sell Thomson's loss-making consumer electronics business to Korean companies: Lagardère has a deal with Daewoo, and Alcatel is negotiating with Samsung. Both intend to keep the profitable defence arm, Thomson-CSF. However, they can only rationally do so if it is then merged with another European defence company: Lagardère has a deal with British Aerospace and Alcatel is likely to reach an agreement with the UK's General Electric Company.

An Alcatel-GEC team would have the advantage of a great deal of overlap between the defence companies Thomson-CSF and GEC-Marconi. If the two were merged into a strongly managed and rationalised equal joint venture, similar to the GEC-Alsthom power engineering combine, Europe could have a world competitive defence electronics company. However, Alcatel has little management experience in defence, and has a worrying pile of its own problems which many shareholders want its new management to resolve before it embarks on further expansion.

Lagardère does have a more natural interest in defence, but its overlap with Thomson and BAe is restricted to missiles. Unless co-operation is expanded to take in Thomson and BAe's systems engineering skills, the teaming offers limited scope for rationalisation.

Overarching this debate is a feeling that the French government may try to use the Thomson privatisation to score tactical points in the consolidation of the European defence industry. Its historic policy of national autarky has left France isolated, while its failure to rationalise its industry earlier has added to its woes. Yet some in the French administration would like to use privatisation to secure French control of an unreconstructed industry.

If such nationalistic attitudes hold sway, the outlook for the European defence industry is poor. It is already splintered into national companies operating in a market half the size of the US. If the industry is not to fall into terminal decline, it must rationalise quickly into companies with strong central managements. That will require more give and take than France, Britain and Germany have been prepared to show so far.

France has an opportunity to take the lead by selling Thomson-CSF to the group which makes the most industrial sense, without insisting that France retains a majority shareholding in the merged company. If it did so it could then challenge its European partners to be similarly far-sighted. Should that industrial answer turn out to be an equal joint venture between Thomson-CSF and GEC-Marconi, an idea previously so unacceptable that it cost Mr Alain Gomez his job as head of Thomson, then so be it.

Japan's choice

The decision by Mr Ryutaro Hashimoto, Japan's prime minister, to go to the polls in October suggests his Liberal Democratic party is confident of consolidating its hold on power. Even if the LDP still fails to win an outright majority, most commentators see the election as another milestone in the party's rehabilitation after scandals and factionalism forced it into opposition in 1993.

The return of the LDP to centre stage would speed up government decisionmaking in contrast to the present slow-moving coalition. Yet it would also have a worrying aspect if it meant Japan returning to the bad old days of pork-barrel politics.

Earlier this year, the elevation of the high-profile Mr Ichiro Ozawa to the helm of the opposition New Frontier party (NFP) seemed to point towards an eventual two-party, issue-based political system. That would have been a healthy outcome to the scandals of the early 1990s. But the opportunity has been lost. Mr Ozawa lacks charisma, his LDP origins lessen his credibility, and the NFP is now trailing in the polls.

The problem for a revived LDP is to restore public respect both for government and its supporting bureaucracy, whose reputation was battered by the fiasco of the mortgage lending industry. Of course, some things have changed. Tighter rules on party financing have lessened the scope for corruption. The new one-member constituencies are supposed to help by reducing the influence of special interests.

Whatever the outcome of the elections, Japan's politicians need to build on this. For the LDP this means promoting still more younger members within its ranks as a means of distancing itself from the old factionalism. In reforming the bureaucracy it would help to increase the mobility of civil servants between ministries to prevent them getting too close to special interests.

A large obligation falls also on the opposition. Voter apathy makes it difficult for opposition parties to develop programmes which command popular support. But they can still push a sometimes reluctant LDP towards more deregulation, and they can unite to play an important role in demanding good government. If opposition parties were effective in this, even the most apathetic voters might eventually sit up and take notice.

Lure of the property magnet

Fund managers wary of the inflexibility of bricks and mortar are trying to reduce the risks of an illiquid market, says Simon London

Twenty years ago any self-respecting fund manager had to know about commercial property. In the late 1970s, bricks and mortar accounted for 22 per cent of the average pension fund.

Today, however, property accounts for only about 5 per cent of the assets of UK pension funds. With returns disappointing, and a growing range of alternative investments such as overseas equities and index-linked bonds, the commercial property industry fears that institutional investors are turning their backs on the property market.

Later today a delegation from the fund management and property industries will lobby Mr Michael Jack, financial secretary to the Treasury, for tax concessions to support the creation of a new kind of property investment fund that might tempt the pension funds and life assurance companies to return.

"Preserving institutional investment in property makes good economic sense," says Mr Alastair Ross Goobey, chief executive of Hermes, the fund manager, who will lead the delegation. "The unpalatable alternative is that industrial and commercial companies will have to keep more of their capital tied up in property."

Fund managers are the UK's largest commercial landlords. But after a decade of disappointing returns, they are reducing their property holdings – and many smaller funds have given up on property altogether.

The main problem is illiquidity. Even in a good market it can take months to buy or sell buildings. In a falling market certain types of property can be almost impossible to dispose of.

The costs of trading property are also prohibitive. A "round trip" – selling one building and buying another – costs about 4 per cent of the amount reinvested, including agents' and legal fees and stamp duty. This compares unfavourably with the bond and equity markets, where investments can often be sold in seconds and at a fraction of the cost.

The relationship between landlords and tenants is also changing in ways which make property less attractive to large funds. In particular, tenants are often reluctant to sign traditional 25-year leases, which means that landlords can no longer rely on a long-term stream of rental income.

The most powerful argument in favour of commercial property as a financial asset remains that it allows fund managers to spread investment risks across the business cycle. Property tends to perform well when bonds and equities are suffering.

When property was performing well, fund managers were tolerant of its foibles. But the sector has significantly underperformed bonds and equities in recent years.

In the 10 years to 1995, UK commercial property delivered an annual total investment return of 9.1 per cent, against 12 per cent from gilts and 14.7 per cent from UK equities. This laggardly performance contrasts with the 1970s, when commercial property delivered a better investment return than either of the other main asset classes.

"There are just as many advantages as disadvantages to commercial property as an investment. The real problem is performance," says Mr Nigel O'Sullivan of Bacon & Woodrow, the consulting actuaries.

Although the property industry can do little to improve its performance relative to other assets, there is a growing consensus that some of the structural problems should be tackled. Several initiatives have been launched to repackage property in ways that will make it more attractive to fund managers.

These involve new types of stock exchange-quoted property investments and derivative financial products based on indices of property market performance.

Today's delegation to the Treasury is seeking tax breaks for commercial property investment trusts. These would enable fund managers to buy liquid shares in pools of property rather than buying individual buildings.

Unlike property companies, investment trusts are exempt from tax on capital gains. Tax-exempt investors such as pension funds can swap buildings for shares without a tax penalty.

"We are not asking for a new tax break. We would like the existing investment trust rules to be extended to cover commercial property," says Mr Ross Goobey.

The model for this initiative is the US real estate investment trust market, which has a value of about \$60bn (£38bn) and is increasingly the way by which pension funds gain exposure to the property market. The biggest barrier to the creation of a similar market in the UK is the reluctance of the Treasury to extend investment trust tax benefits to commercial property.

The industry has responded by commissioning a study which shows that the creation of property investment trusts would not cost a penny to the public purse. The study argues that tax revenue on direct property sales would be lost, but this would be compensated by stamp duty paid on the trading of trust shares.

Until the Treasury accepts these arguments, however, property financiers are left trying to replicate US-style investment trusts by other means. One approach is the property unit trust being created by Dusco, a property fund manager. This would be quoted on the London Stock Exchange and benefit from many of the tax advantages of the proposed investment trusts.

But Dusco admits that unit trusts are not ideal for commercial property investment. Unlike companies and investment trusts, unit trusts are open-ended – the capital available to the fund expands and contracts depending on demand for units among investors. If investors want to sell units when property values are falling, it can be difficult to sell buildings to raise the cash.

Despite these drawbacks, Dusco hopes to raise up to £250m this autumn to launch its first listed property unit trust. Mr Dik Dusseldorp, chairman, points out that German open-ended property funds are Europe's largest property investors and have been operating without serious problems for many years. "We don't know when, if ever, the Treasury is going to give ground. Until it does this is the only game in town," he says.

Property derivatives would complement the development of new investment funds. A group of investors led by AMP Asset Management, the fund management arm of Australian Mutual Provident, the life assurer, hopes to launch a property futures market next year.

This would enable fund managers to increase or decrease their exposure to, say, retail property without having to go through the slow and costly process of buying or selling shops.

The Bank of England broadly supports the creation of property derivatives in the interests of improving the liquidity and transparency of the property market. "We believe that the markets would welcome anything which helped bring more liquidity. A derivative in property would help towards this end," says Mr Pen Kent, executive director of the Bank.

But an attempt to launch property derivatives in the late 1980s failed amid allegations that market insiders had been illicitly boosting trading volume to give a false impression of the success of the market. The index-based property futures contracts launched by the London Futures and Options Exchange were eventually withdrawn in 1991.

Mr John Whalley, head of property investment at AMP Asset Management, believes the latest initiative stands a better chance of success because there is a groundswell of opinion in favour of salvaging property as a mainstream financial asset.

"Property as an asset class is moving forward on a broad front. Property derivatives are one brick in the wall," he says.

The property industry is understandably keen to talk up the prospects of these initiatives. But it is unlikely to persuade fund managers to reverse the long-term drift away from commercial property unless it shows a better performance relative to gilts or equities.

Mr David Hunter, head of property investment at Scottish Amicable Investment Managers, says: "Property is at its low point in terms of popularity because its performance has been so poor over the last six years. What it needs more than anything is two or three years of solid investment returns."

There are hopes that this may happen. The glut of unwanted property caused by the 1980s property boom is slowly dwindling. Economic growth is accelerating and many fund managers believe that the equity market is due for a fall.

The fundamental arguments in favour of property as a financial asset are stronger than they have been for at least six years. But many in the industry are convinced that without new forms of investment to attract institutional investors, property is set to dwindle further in their portfolios.

Crumbling foundations: the decline of property

% of average pension fund invested in property

Source: The WM Company

· OBSERVER ·

Heartbeat away?

■ The vice-presidency of Colombia, to which Carlos Lemos Simmonds has just been elected by the nation's congress, is a curious institution.

An experienced politician, Lemos Simmonds represents the conservative wing of the ruling liberal party – which makes him ideologically opposed to the president, Ernesto Samper.

But this probably doesn't matter because he should be spared too much confrontation. His boss has been indicating that he plans to leave the new man exactly where he is – in the Colombian embassy in London.

Just like his predecessor, in fact. Humberto de la Calle resigned two weeks ago after spending most of his vice-presidential period as ambassador in Madrid. His departure came fairly speedily after Samper sent a bill to congress proposing the abolition of the vice-presidency.

De la Calle did not go particularly quietly. He accused his chief of financing the 1994 election campaign with drug trafficker donations and of putting the survival of Colombian democracy at risk by insisting on staying in power against the interests of the country. He called on Samper to follow his example with "an act of generosity" by also resigning.

Constitutionally, the vice-president's only function is to step into his chief's shoes in the case of death, disablement, imprisonment or resignation. Which still doesn't explain why congress, in addition to giving 151 votes to Lemos Simmonds, bestowed four votes on leftwinger Bernardo Jaramillo, who was assassinated six years ago.

Brittan's babes

■ The imminent retirement of Horst Krenzler, the top trade official in the European Commission, poses a dilemma for his boss, Brussels trade supremo Sir Leon Brittan.

The favourite to succeed him is fellow German Hans Beseler, known as Mr Anti-Dumping. But Sir Leon is believed to have other candidates in mind too, including Alex Schaub, a long-time and able Eurocrat who has however only just taken over competition policy. Also in the frame is Klaus Van der Pas, EU president Jacques Santer's spokesman, who won his spurs in DG1 cleaning up the Tacis aid programme to the former Soviet Union.

Other outsiders are apparently also interested – as part of a wider shake-up in DG1 which has caught Paris's attention.

The French have long grumbled about the monopoly enjoyed on the levers of trade policy by British and German liberals. Indeed Jacques Chirac is said to have bent Santer's ear over the dispatch of Britain's Rod Abbott to the EU's office in Geneva. Abbott replaced Jean-Pierre Leng, and Chirac was cross the tricolore was no longer flying. No doubt he won't approve of Sir Leon's choice at DG1 either.

Checking out

■ Sounds of banging doors at Inter-Continental, the Japanese-owned international hotel chain. Managing director Gavin Simonds, who had only been at Inter-Conti since early 1994, has quit in a huff. He hints at impatience at a delayed flotation. Those left behind suggest it is not quite that simple.

The former Kleinwort Benson corporate financier threw in the towel in the same month that another ex-banker, Toru Nakajima, 68, took up the reins in London as chief executive in a reshuffle after the death of chairman Sueaki Takaoka.

Nakajima is a former managing director of Bank of Tokyo, which is banker to Saison, the retail consortium that owns Inter-Conti.

Nakajima claims that the company is proceeding as intended with a public offering either in New York or London. The date – Nakajima says 1998 – does however represent some slippage of the timetable. The group had earlier publicly talked of next year.

Simonds, who likes to point out that operating profits have increased by two and a half times since he joined, is back on the job market, while the hotel group looks for his successor.

An ability to fit in with the Japanese must doubtless be a requirement.

Eden revisited

■ Police in a suburb of New Delhi are reintroducing the punishment of public humiliation as a means of fighting crime – in this case, sexual harassment of women, or "Eve-teasing" as it is quaintly known in India.

Police in Ghaziabad plan to parade offending Adams in a brightly painted circus-like cage mounted on the back of a police truck, which will then be motored around town.

There's also a quota and bonus incentive plan to encourage police to mop up as many Eve-teasers as possible. Serious offenders will of course be prosecuted. The cage is just for "minor and casual Eve-teasing cases" is the official line.

Financial Times

100 years ago

New method of locomotion. Our conservative contemporary, the "City Press" describes as a "bold step" the action of a certain firm in proposing to introduce next November in the streets of London a motor car "which resembles a traveller's brougham, accommodates four persons inside, runs upon four wheels and is preceded through the streets by a man with a red flag."

50 years ago

Men and Matters

Tory Laocoon – I admire Lord Woolton's abounding energy in finding time to join the Board of Sofina. That huge international finance corporation was created in 1928 in order to skim the cream off the equity of a lot of electricity, transport and chemical undertakings.

At the Blackpool Conference Lord Woolton will shortly be defending private enterprise as chairman of the Conservative Party. His new company is already frothing in this mortal struggle. Sofina's electricity interests in France and Algeria are under the nationalisers' hammer. In Mexico whenever there is a strike in their works the State intervenes. Nobody in the world save the Pope has to wrestle with evil in so many countries as henceforth Lord Woolton.

FINANCIAL TIMES
Monday September 23 1996

EU companies face law on consulting workers

By Caroline Southey in Brussels

Many more European Union companies could be forced to consult their workers on group affairs in an extension of rules on employee participation drawn up by Mr Padraig Flynn, commissioner for social policy.

Under the plans, to be unveiled tomorrow , companies with more than 50 employees would be legally bound to consult and inform their workers.

The move coincides with the coming into force today of an EU directive under which large multinational companies have to consult employees.

Mr Flynn's initiative is likely to provoke angry reactions from some employers and from the British government, which has an opt-out from the social chapter of the Maastricht treaty.

But in a move likely to upset trade unions, Mr Flynn will not call for a common approach. Though companies will be obliged to discuss issues related to their development, each member state will be free to decide how businesses carry out consultations.

An EU official said the proposal would "not tell anybody they have to set up councils or recognise trade unions".

Mr Flynn will try to circumvent an expected British veto of the proposal by suggesting EU trade unions and employer organisations negotiate the terms of the plan under the social chapter. Because of the UK's opt-out, the plan would not require UK approval.

However, British companies would be forced to adopt the legislation if a Labour government ended the opt-out.

EU officials are confident the proposal will be supported by most member states. "There is strong support for some action at EU level," an official said. The official said there were suspicions that different labour standards across the union caused "social dumping" – where some countries with lower standards can give companies a competitive edge – and there was a need for common rules.

Officials said most companies in the EU already systems for consulting workers.

Mr Flynn's initiative differs from the works councils system in that it targets small, nationally based companies. The works council directive affects multinational companies with more than 1,000 employees and over 150 in at least two member states.

The commissioner also plans to limit the legislation to select issues and information that companies would have to share with employees.

"The emphasis will be on results rather than mechanics. The aim is to establish minimum standards on what kind of information and consultation employees should be entitled to. We think the question of how this is delivered should be left up to member states," an official said.

EU unions to push 800 companies for councils, Page 3

Anheuser-Busch pulls out of Budweiser name talks

By Vincent Boland in Prague

Anheuser-Busch, the US brewing group, is pulling out of talks with the Czech government on securing a trademark agreement over rights to the Budweiser name in continental European markets.

The move coincides with plans to privatise Budejovicky Budvar, the small Czech brewery that owns the rights to the Budweiser name in several European countries. It suggests the two sides may never settle their continuing dispute, which forces Anheuser-Busch to sell its beer under a different name in key markets.

The Czech government will soon consider selling a stake in Budvar, and has indicated that it will remain in domestic hands.

Anheuser-Busch recently won court rulings on the use of the Budweiser name in Spain, and the Bud name in Norway. It appears convinced it can crack other markets, especially Germany and Austria, through legal action on a country-by-country basis.

The Czech government and Budvar's management appear equally sure, however, that the brewery's privatisation should go ahead without a global trademark agreement.

Attempts to resolve the trademark issue have been hindered by the two sides' differing estimates of the value of a settlement.

Under an agreement signed in 1911, Budvar was granted rights to sell its beer under the Budweiser name in Europe while Anheuser-Busch could use the brand elsewhere. At the time, the town of Ceske Budejovice in Bohemia, where Budvar is based, was known by its German name, Budweis.

Anheuser-Busch developed Budweiser into a formidable brand but had to use the name Bud in Europe. It has since managed to break Budweiser into some European markets, including the UK, but often only after legal action. In the 1970s, Budvar began registering Bud as its own brand in Europe, complicating the issue further.

After the Velvet Revolution in 1989 both companies tried to resolve the dispute. Initially, Anheuser-Busch tied a resolution to an option to buy a stake in Budvar but it became clear it would be unacceptable to the Czech public.

China tightens share trading rules

Continued from Page 1

that from the A share market reserved for local investors – was established in 1992. Trading was rigidly restricted to foreign buyers in its first two years. However, a slump in the market in 1994 prompted the stock exchange authorities to relax the ban in an attempt to stimulate activity. Many domestic investors bought B stocks in companies trading at a substantial discount to their A share equivalents.

In the past two years, Shanghai and Shenzen authorities have turned a blind eye to local Chinese trading, but notices issued in the Chinese press at the weekend promised a clampdown.

The Shanghai stock exchange, in a statement published at the weekend in the Shanghai Securities News, said: "The exchange will take appropriate technical measures to enforce the ban."

The statement bars domestic investors from buying new B shares with immediate effect, but allows them to enjoy the rights of B shareholders until all their shares are sold. The statement did not give a deadline for local investors to sell their stocks.

The exchanges have been under pressure from the China Securities Regulatory Commission, the chief regulatory authority, which has called on them to resume enforcement of the ban. The CSRC has been concerned about the perceived loss of foreign exchange from foreign investors selling the US dollar and Hong Kong dollar denominated stocks to local buyers.

Analysts in Shanghai yesterday were bearish, although one trader said rumours of a clampdown had already affected the B share market.

India's Congress party to pick Rao successor

By Mark Nicholson in New Delhi

Leaders of India's Congress party are tonight set to appoint a successor to Mr P.V. Narasimha Rao, the former prime minister who quit as party president at the weekend after a Delhi judge ordered him to answer swindling charges in court.

Mr Rao resigned immediately after receiving the court order. He declared his "total innocence" of charges of complicity in swindling $100,000 from a London-based businessman, calling the charges "false, frivolous and baseless". He said he was quitting "in the interests of the Congress party".

Mr Rao was prime minister from 1991 until his party's electoral defeat in May this year. He is widely credited with opening up the Indian economy to foreign investment.

His resignation will provoke a leadership battle within the party, which has been in disarray since May, its worst electoral performance ever. It could further splinter the party, undermining its claims to be India's only true national party.

However, Mr Rao's departure is considered unlikely to weaken the 13-party United Front coalition government, which depends on the support of the 140 Congress MPs in the Lok Sabha assembly.

UF may even be strengthened as the move may prompt other Congress party members to join the coalition fully. UF already contains several senior politicians such as Mr P. Chidambaram, finance minister, who defected from the Congress party before this year's election.

Mr Rao's resignation follows growing dissent over his leadership within his party. He is the subject of two additional criminal investigations.

He will remain leader of the parliamentary party, of which he assumed overall leadership after the assassination of Mr Rajiv Gandhi in 1991. However, his resignation and the threat of further charges appear likely to herald the end of his political career.

The Indian media yesterday suggested the leading candidates to replace Mr Rao as interim president, pending a full party election, were Mr A.K. Anthony, former chief minister of the southern state of Kerala, Mr Shawad Pawar, former chief minister of Maharashtra in the west, Mr Sitaram Kesri, the party's treasurer, and Mr Pranab Muckherjee, former Congress foreign minister.

Congress morale hit, Page 4

THE LEX COLUMN

Netting Microsoft

News of a third antitrust investigation did not stop Microsoft's shares from finishing last week at another record high. After all, the group has emerged from previous inquiries with little more than a slapped wrist. And financially, it is going from strength to strength.

Nonetheless, the fact that the US Department of Justice has decided to act this close to the presidential election suggests it may have a stronger case this time. And the focus of the probe, Microsoft's Internet browser software – used to access the World Wide Web – is central to the group's growth strategy as its more traditional operating systems mature. If the DoJ were to end up imposing sanctions on Microsoft in this area, it would be a real blow.

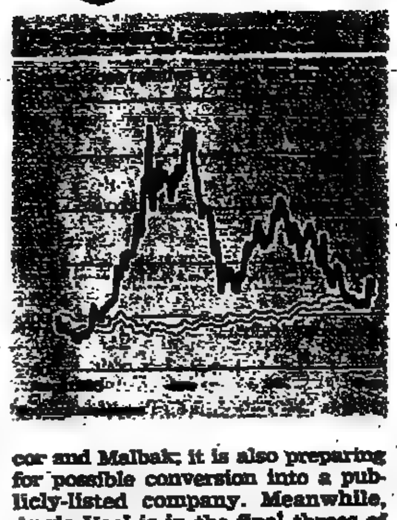
The complaints of anti-competitive behaviour which prodded the authorities into action have come mainly from Netscape, with whom Microsoft is battling for control of the browser market. Mr Bill Gates, Microsoft's chairman and chief executive, has responded to the threat posed by Netscape with customary aggression. In a matter of months, Microsoft has caught up with Netscape's technical lead; signed up allies, such as Internet service providers; and started giving its software away free. Whether this is illegal behaviour or just vigorous competition is unclear. But it is very good for users, who are receiving in a few months product improvements that usually take years.

South Africa

Look at the structures of South Africa's big conglomerates and the mind boggles at their complexity. Not only are there pyramids, where a holding company owns 50 per cent of another holding company, which owns 50 per cent of yet another; not merely are there conglomerates within conglomerates; there are also intricate feedback loops, whereby subsidiaries of subsidiaries own shares in the parent.

The inventiveness of such arrangements has more to do with power than industrial logic: it has helped a small number of families and insurance groups to extend their tentacles throughout South African industry.

Now this elaborate system is starting to unravel. Sanlam, a big mutual life insurer, has dismantled two conglomerates it controls, Gencor and Malbak; it is also preparing for possible conversion into a publicly-listed company. Meanwhile, Anglo Vaal is in the final throes of a big reorganisation: it is replacing its traditional mining houses, which held stakes in a series of quoted mines but often extracted more value through fat management contracts, with two new mining groups which manage their own assets.



Though this transformation follows the end of apartheid, it is not driven primarily by politics. True, the conglomerates have been much criticised by ANC politicians for stifling competition, so making it hard for black entrepreneurs to break into the economy. But the ANC no longer believes in nationalisation and does not seem eager on aggressive trust-busting either. Rather, change is being driven by business logic. The big groups are starting to accept that companies perform better if they stick to their knitting. Long chains of command breed bureaucracy and elaborate control structures deter outside investors.

This more commercial mindset can be traced to the end of apartheid too. Under the old laager economy, South African business was protected from foreign competition. Now that tariff barriers are coming down, the conglomerates are having to think quickly where their comparative advantages lie. And in order to tap international capital markets, they first have to take the concerns of foreign investors on board.

The laager economy has not disappeared. Exchange controls, in particular, remain. Not only do they deter foreign investment; they also make it harder for conglomerates to break themselves up, as they are not free to deploy the proceeds from disposals at home to build up core activities elsewhere.

But the smart conglomerates are not using the continuation of exchange controls as an excuse for inaction. If Sanlam does decide to demutualise, the fact that it has reorganised is likely to be rewarded by a higher share price, which would help finance its international ambitions. Similarly, after its restructuring, Anglo Vaal will be better placed to raise the R4.5bn it needs to sink new gold shafts.

By comparison, other conglomerates, notably Anglo American and Old Mutual, are dragging their feet. Both are so large and well-protected they feel little pressure to modernise their structures. But in time they could come to regret waiting on events rather than anticipating them.

UK rail

This week the Office of Fair Trading is to decide whether it thinks Stagecoach's plan to buy Porterbrook, the rail leasing company, should be referred to the Monopolies and Mergers Commission. And on the face of it, it is easy to see why there have been numerous demands for the deal to be blocked. The most common worry is that vertically integrated leasing companies will sign "sweetheart" deals with their own operating companies and discriminate against competitors. Of course, competitors could simply go elsewhere. But if the Stagecoach deal is allowed what is to stop all three leasing companies ending up in the hands of train operators? In which case, independent operators would effectively be forced to rent their rolling stock from one of their competitors. The only alternative – leasing rolling stock direct from a manufacturer – is bound to be expensive.

This does not, however, add up to a good reason to stop the deal. Vertically integrated operators will not have any fundamental advantage as they would have done, for instance, in electricity. And independent rail operators will only be disadvantaged if, when the existing contracts are renegotiated in several years, collusion among the three leasing companies enables them to charge artificially high prices. This is not inconceivable. But if it happens it will not be the fault of vertical integration; it will result from the fact that there are only three leasing companies to begin with. And the answer will not be to ban vertical integration, but to break the leasing companies up.

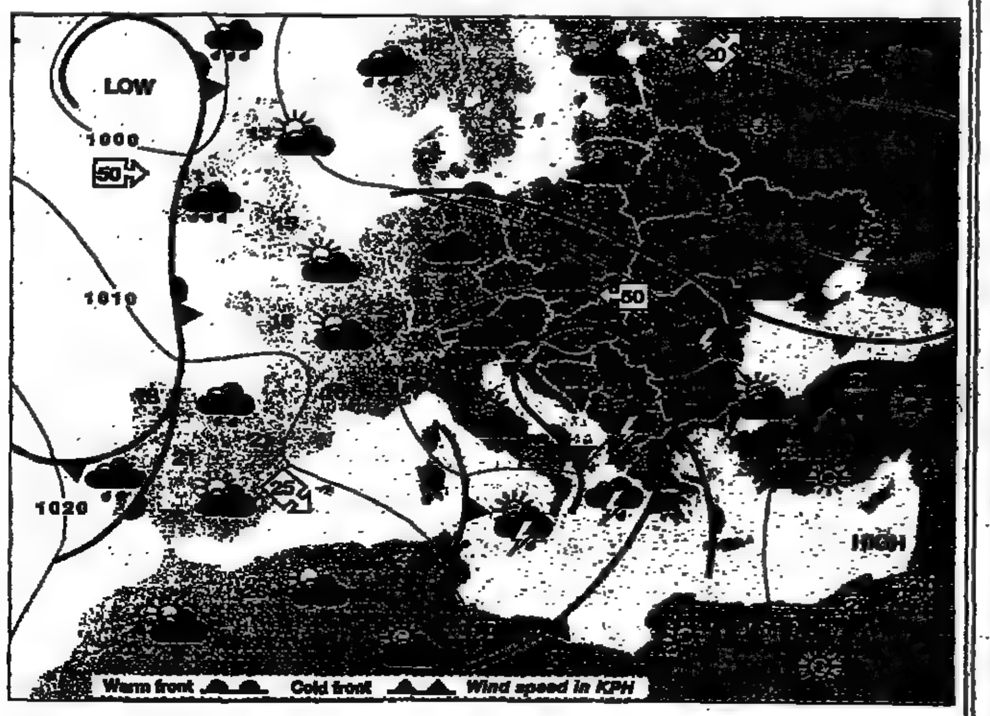
FT WEATHER GUIDE

Europe today

Ireland will have plenty of rain. The rest of the British Isles will be dry with sunny spells. The Benelux and France will be cloudy with occasional light rain. Southern France will be mostly sunny. Eastern and southern Spain will be sunny. Portugal and northern Spain will be rainy. Eastern Europe will have showers. Italy and the Balkans will have showers and some heavy thunderstorms, which will be most severe in Greece and Bulgaria.

Five-day forecast

Britain and the Benelux will be wet and windy by mid-week. Eastern Europe will stay cold and rainy. More rain will fall in the Balkans.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	sun 29	Caracas	cloudy 32	Faro	fair 24	Madrid	fair 21	Rangoon	shower 30
	Celsius	Belfast	rain 15	Cardiff	fair 15	Frankfurt	rain 14	Majorca	sun 21	Reykjavik	fair 12
Abu Dhabi	sun 37	Belgrade	rain 18	Casablanca	fair 23	Geneva	rain 14	Malta	fair 28	Rio	sun 28
Accra	cloudy 29	Berlin	cloudy 13	Chicago	cloudy 22	Gibraltar	sun 22	Manchester	sun 14	Rome	thund 23
Algiers	fair 24	Bermuda	shower 29	Cologne	rain 13	Glasgow	fair 14	Manila	shower 31	S. Fsco	fair 28
Amsterdam	cloudy 14	Bogota	fair 19	Dakar	fair 31	Hamburg	cloudy 14	Melbourne	shower 16	Seoul	sun 26
Athens	fair 28	Bombay	shower 32	Dallas	fair 32	Helsinki	shower 12	Mexico City	thund 22	Singapore	cloudy 32
Atlanta	sun 31	Brussels	cloudy 13	Delhi	sun 34	Hong Kong	rain 29	Miami	thund 32	Stockholm	cloudy 12
B. Aires	cloudy 16	Budapest	rain 16	Dubai	sun 37	Honolulu	fair 31	Milan	fair 19	Strasbourg	rain 12
B.ham	fair 14	C.hagen	fair 13	Dublin	cloudy 15	Istanbul	fair 27	Montreal	fair 13	Sydney	sun 22
Bangkok	cloudy 34	Cairo	sun 34	Dubrovnik	rain 21	Jakarta	fair 32	Moscow	cloudy 9	Tangier	fair 23
Barcelona	sun 21	Cape Town	fair 23	Edinburgh	fair 14	Jersey	cloudy 15	Munich	rain 9	Tel Aviv	sun 30
						Karachi	fair 33	Nairobi	fair 25	Tokyo	cloudy 25
						Kuwait	sun 38	Naples	thund 20	Toronto	fair 16
						L. Angeles	fair 25	Nassau	thund 32	Vancouver	fair 17
						Las Palmas	fair 28	New York	fair 21	Venice	shower 17
						Lima	cloudy 18	Nice	fair 21	Vienna	rain 12
						Lisbon	shower 23	Nicosia	sun 32	Warsaw	sun 15
						London	cloudy 15	Oslo	cloudy 12	Washington	fair 25
						Lux.bourg	rain 11	Paris	fair 18	Wellington	sun 13
						Lyon	rain 16	Perth	fair 19	Winnipeg	rain 17
						Madeira	shower 23	Prague	rain 11	Zurich	rain 12

FINANCIAL TIMES
COMPANIES & MARKETS

Monday September 23 1996

Seat in profit after aid from VW

By David White in Barcelona

Seat, the Volkswagen group's Spanish carmaker, has emerged from the red for the first time in five years with a Pta2.76bn ($21.75m) net profit in the first eight months.

Mr Utz Claassen, finance chief and executive vice-president, said turnover from January to August had climbed 32 per cent to Pta390.5bn compared with Pta296bn in the same period last year.

This meant the company was "slightly ahead" of its plans to break even in 1997. But it still needed to wean itself off the financial support that VW had been providing to help offset restructuring costs.

Mr Claassen said the return to profit had been possible only because of Volkswagen's help and the impact of a Pta46bn aid package from the Spanish government and Catalan regional authorities, approved by the European Commission last autumn. Seat now had to achieve positive results "without external influence", he added.

Mr Claassen is number two at the Spanish company under Mr Juan Llorens, who comes to the end of his three-year contract as president in November and is expected to be replaced. A Seat board meeting in Braunschweig, Germany, on Thursday did not name a new chairman.

Mr Claassen said the company had received "the continuous and personal support" of Mr Ferdinand Piëch, the VW chairman.

Mr Claassen did not quantify the amount received from the German parent this year but described it as "substantially less than was originally foreseen and planned.

"I think that the parent company rightly has the expectation that this support will reduce continuously, and eventually to zero," he said.

In the decade since VW took control, Seat has shown profit only for the years 1988-91. Last year's loss was reduced by 62 per cent to Pta11.29bn.

Mr Claassen said production was expected to increase 21 per cent this year to 415,500 vehicles. The output increase in the first eight months was up 23 per cent to 272,000, with a stable workforce of about 12,700.

Sales of Seat cars to customers were expected to rise 7.7 per cent to 350,600, after a 6.3 per cent increase up to August. Total stocks had been reduced since the beginning of the year by 14,000 to 78,000 units.

Seat's share of the Spanish market in the eight months rose to 11.3 per cent from 10.6 per cent last year. The VW group's market share climbed to 20.3 per cent from 18.7 per cent.

Alcatel moves to cut working capital

By David Owen in Paris

Alcatel Alsthom, the French telecommunications and engineering group, is launching a drive to cut working capital.

The initiative is designed to help Alcatel's debt reduction programme. It had net debt of FFr20bn ($3.94bn) at the end of last year and a debt/equity ratio of 61 per cent. However, it is in the process of selling FFr10bn of non-core operations.

Alcatel has made an offer for Thomson, the heavily indebted electronics group that is being privatised by the French state. Mr Serge Tchuruk, who took over as Alcatel's chairman last year, has promised that any deal will not worsen Alcatel's debt/equity ratio. The company would "emerge with a debt/equity ratio of less than 30 per cent", he said.

On Friday Standard & Poor's, the credit rating agency, put Alcatel's long- and short-term debt ratings on negative credit watch. The agency said the impact of the possible acquisition of Thomson on Alcatel's credit quality was "difficult to estimate at this stage". It described Thomson's current debt load as "considerable".

S&P also put on negative credit watch the long-term debt rating of Banque Arjil, a merchant bank 72.9 per cent-owned by Lagardère, the French conglomerate also bidding for Thomson.

S&P said uncertainties remained over the structure of any eventual transaction "in both operational and financial terms". But it had "taken note of Lagardère's intention to keep only Thomson's defence activities, which would reinforce its positions in the sector, and its undertaking to maintain a conservative financial structure". The agency confirmed the bank's short-term debt rating.

Alcatel's disposal programme is expected to take another step shortly with the sale of the group's 21 per cent holding in Cofira, the financial holding company of Société Française du Radiotéléphone, France's number two mobile phone network operator, which is controlled by Générale des Eaux.

Mr Jean-Marie Messier, Générale des Eaux chairman, has indicated that Alcatel's exit from Cofira would be part of the reorganisation of his company's telecommunications activities.

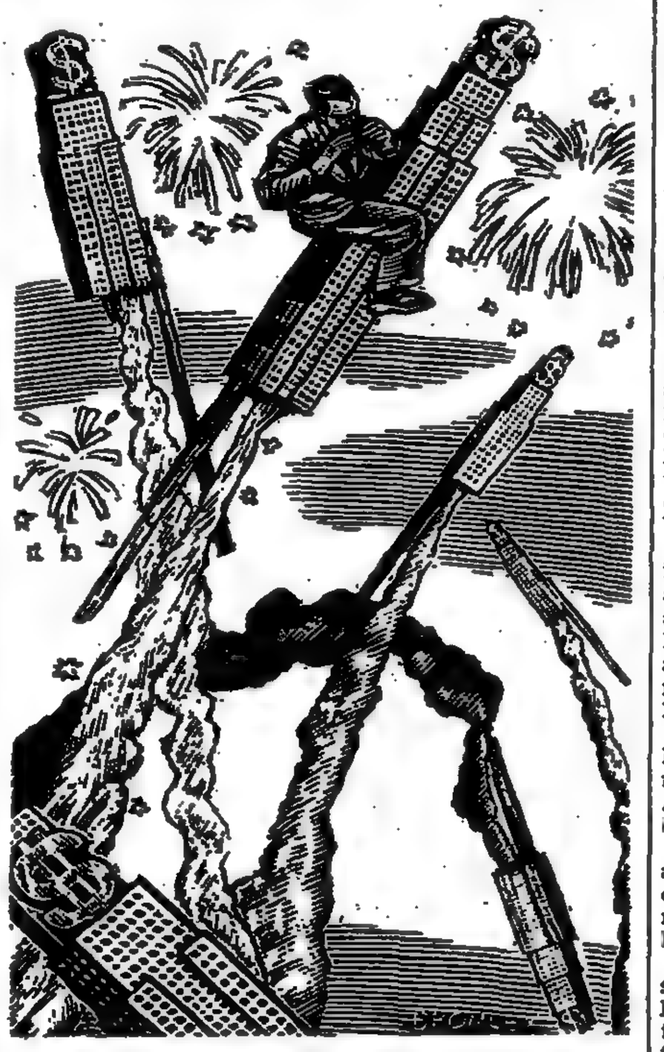
Alcatel is due to release half-year results on Thursday. Figures already released have shown that first-half sales fell from FFr78.3bn to FFr74.3bn, despite a rise in telecommunications sales from FFr29.1bn to FFr30.5bn.

For last year, Alcatel reported France's largest-ever corporate loss of FFr25.6bn, including FFr23.1bn in exceptional provisions and depreciation charges arising from the restructuring launched by Mr Tchuruk. The working capital drive is additional to that reorganisation.

Editorial Comment, Page 17

Richard Waters on Wall Street's irrepressible optimism

Pull of gravity fails to quell US markets



Something curious has happened in the US stock market this month.

After four strong years of earnings growth, corporate America registered a marked slowdown in the first half of 1996. The likelihood that this would continue in the second six months hung like a dark cloud over the market as the summer drew to a close.

Most US companies are now in the final week of their latest fiscal quarter and there has indeed been a spate of profit warnings in recent days – from, among others, Ford Motor, Motorola and Eastman Chemical. But the Dow Jones Industrial Average ended last week at a record high.

Rather than take note of the bad news coming out of corporate America, it seems the US stock market has been in a mood to note only the good.

Intel, the microchip maker, last week took back a profit warning it had issued early in the summer: things have turned out better in the chip market than it had expected. That was hardly a ringing endorsement, but proved enough to drive up the share prices of technology companies – and more than enough to drown out a warning from Motorola, another microchip and mobile telephone maker, the week before.

It is as though the July share price tumble never happened. Cash is flooding back into US mutual funds that invest in equities: it is estimated to have reached nearly $5bn last week. Even the distinct possibility of an interest rate rise after the Federal Reserve's policy-making committee meets tomorrow has failed to damp the enthusiasm.

The hints and warnings that have trickled out of US companies in recent weeks, meanwhile, do not necessarily point to the imminent death of the 1990s earnings boom. But they do suggest that, in many industries, companies are having to work ever harder to keep their profits rising.

There are, as always, many unrelated forces at work. They include Ford's difficulties in relaunching itself in Brazil and the higher gambling losses reported by ITT, the casino and hotel operator, at its baccarat tables.

However, there are also many common strands. Ford, for instance, sounded a cautious note about its performance in the US: consumer resistance to higher prices has forced vehicle makers to keep discounts high this year, and has set in a train a feverish search for ways to trim costs at the country's second-biggest automaker. Elsewhere, an out-and-out price war in the breakfast cereal market drew a profit warning from Kellogg and an earnings decline from General Mills, whose latest fiscal quarter ended in August.

With little apparent pricing power, higher costs seem likely to continue to eat into corporate America's earnings and challenge its ability to maintain recent productivity gains. The rising price of oil, for instance, is being felt across a number of industries, drawing warnings from some US airlines.

Those companies that have tried to pass on higher costs to consumers appear to have encountered considerable resistance. Rubbermaid warned earlier this month that its attempt to raise prices on its household plastic products had been followed by a decline in sales volumes. Ben & Jerry's found that raising ice cream prices over the summer to recover the higher cost of cream led to a slump in sales.

These and other corporate announcements during September point to the difficulties that US companies have had in improving their profit margins during the current expansion.

True, the headline numbers show a surge in profitability, carrying post-tax margins back well above their last cyclical peak in the mid-1980s. Much of that, though, is due to lower taxes and smaller interest bills. These have led to one-off margin improvements beyond the control of companies and hardly justify the premium earnings multiples now attached to US stocks, says Mr Martin Barnes of the Bank Credit Analyst.

Take tax and interest costs out of the equation and the operating profit margin on stocks in the Standard & Poor's 500 is only just above its level of the late 1980s – 5.9 per cent, against 5.7 per cent at the last cyclical peak, reports Mr Jeffrey Applegate at Lehman Brothers.

Meanwhile, with the US unemployment rate down to 5.1 per cent in August, the prospect of higher labour costs looms. That, in turn, has raised the likelihood that the Fed will engineer a rise in interest rates sooner rather than later.

It could be that corporate America will take this challenge in its stride and find new ways to lift productivity. That is the claim from many manufacturers.

TRW, a maker of airbags, has lifted profit margins despite a steady fall in prices in recent years. The realities of US manufacturing have changed, says Mr Joe Gorman, chairman: "If we feel wage pressures, we don't have to put up that factory in the US – we can put it up in Mexico, or in India."

Of the risk that the Fed will push rates higher, he adds: "Alan Greenspan [Fed chairman] and the rest of them at the Fed just haven't got it yet."

> It is as though the July share price tumble never happened – cash is flooding back into US mutual funds investing in equities

Agco set for European bids

By Peter Marsh in London

Robert Ratliff: expansion

Agco of the US, one of the world's four biggest tractor manufacturers, is willing to spend up to $1.5bn over the next five years acquiring European makers of farm equipment.

The company has its sights on at least eight companies, including the farm-equipment subsidiaries of Renault, the French automotive group, and the Finnish engineering business Valmet.

Other groups that Agco is interested in include SLH and Landini of Italy, Claas and Fendt of Germany, Dronningborg of Denmark and Ursus, a state-owned machinery company in Poland.

"We are maintaining a dialogue with all these companies," said Mr Robert Ratliff, Agco's chairman and chief executive.

"We have made it clear we are interested in a range of collaborative ventures which might include acquisitions," he added.

Agco has grown rapidly since it was set up in 1990. It has spent $875m on acquisitions, mainly in the US, with its biggest purchase the $329m it spent in 1994 on Massey Ferguson, the tractor manufacturer previously owned by Varity of the US. In June this year, Agco bought Maxion, Brazil's biggest tractor maker, for $260m.

Mr Ratliff is aiming to expand Agco's annual sales of $2.1bn last year to up to $5bn by early next century. Over this period the proportion of the company's sales outside North America could expand from 60 per cent now to 75 per cent.

Of the companies on Mr Ratliff's list of possible purchases, none has indicated that it is interested in handing over majority control. Agco currently owns 30 per cent of Dronningborg and 25 per cent of Landini. It also has a deal with Valmet to buy engines for its own tractors, while Ursus makes some Agco tractors in Poland under licence.

Mr Ratliff's comments, made during an interview in London, underline the interest by some of the big companies in the tractor business in buying some of the hundreds of small companies that make the farm-equipment industry in Europe extremely fragmented.

Out of world farm-equipment sales of some $27bn a year, about 40 per cent is accounted for by the big four – the other three being John Deere and Case of the US and New Holland, owned by Fiat of Italy.

INSIDE

BASF

BASF, the German chemicals company, is to invest several billion D-Marks in giant chemical complexes in Malaysia and India modelled on the company town of Ludwigshafen, which lies at the centre of its operations in Germany. Page 21

Unibail

Unibail, the French property group, has unveiled details of a new fund designed to invest up to FFr5bn ($974m) in the domestic market, in a sign of renewed optimism about the sector's health. Page 21

Bass

Bass, the UK brewing group, may have to make big concessions to gain regulatory approval for its acquisition of the Carlsberg-Tetley brewing joint venture, according to rival brewers and pub owners. Page 20

Rutland Trust

Rutland Trust, the UK group which specialises in realising value from companies in trouble, is expected to announce today a £15m ($23.4m) investment that will substantially increase capacity at Thamesport, acquired last October for £52.5m. Page 20

Fund Management

A survey by consultants Timberlake & Company shows that, while investment trusts pass on the benefits of cost savings to shareholders, the same cannot be said of unit trusts and offshore funds. Page 20

Global Investor

Japan has historically had a much higher level of savings than other developed economies. But its savings rate is in long-term decline, which goes against the experience in all other industrialised economies. Page 22

STATISTICS

COMPANIES IN THIS ISSUE

Life group bid spurs UK bank to tackle overlaps

By George Graham, Banking Correspondent

Lloyds TSB, the UK banking group, will this week reveal further details of its £1.7bn ($2.65bn) offer for the outstanding 37 per cent of Lloyds Abbey Life, opening the door for a substantial rationalisation of Lloyds TSB's overlapping insurance businesses.

It is expected to say how it might tackle duplications created by last year's merger between Lloyds Bank and TSB Group. These fall in areas such as life assurance, general insurance broking, estate agency and consumer finance.

The group's branding and marketing strategy has been complex: Lloyds branches sell life products from Black Horse Financial Services, a LAL subsidiary; TSB branches sell products from TSB Trust; branches of Cheltenham & Gloucester, the building society Lloyds took over before the TSB merger, refer customers to independent financial advisers.

LAL sells other insurance products such as credit protection and household contents through Lloyds branches, acting as a broker for policies underwritten by other insurers.

The Lloyds TSB offer for LAL has awakened the interest of some other insurers in Abbey Life, a separate unit of LAL which sells unit-linked life assurance products through a direct salesforce. Those thought to have cast an eye over it include Prudential Corporation, the UK's largest life group.

Abbey shares little with any of Lloyds TSB's other insurance operations beyond a limited amount of joint product design with Black Horse. It is, however, a profitable business, contributing £81.2m of LAL's interim pre-tax life profits of £152m.

Sir Brian Pitman, Lloyds chief executive, who is to become chairman next February, has been keen to increase the group's flow of earnings from what he regards as steady, high quality sources such as life assurance.

But although banks and building societies in the UK continue to try to expand their "bancassurance" activities, their share of the UK life market has slipped in recent years. Banks sold only 15 per cent of single premium products and 13 per cent of regular premium policies last year, compared with 18 and 17 per cent respectively in 1994.

Lloyds TSB's offer for LAL involves six of its own shares for every seven of LAL's, plus 300p in cash for every LAL share. That is equivalent to 625p at Friday's Lloyds closing price of 379½p, valuing LAL at £4.4bn.

Rutland to expand Thamesport

By David Blackwell

Rutland Trust, which specialises in realising value from companies in trouble, is expected to announce today a £15m investment that will substantially increase capacity at Thamesport, the Isle of Grain container port acquired last October for £52.5m.

Mr Michael Langdon, chief executive, is understood to have confirmed to current users and prospective customers that expansion of the port will go ahead a year earlier than planned.

This implies that the port, which was moving 170,000 containers a year when Rutland took over, will move close to the present capacity of 270,000 containers next year. The project to expand annual capacity to 400,000 containers will take 12-18 months.

Thamesport was developed by Maritime Transport Services at the end of the 1980s at a cost of £100m. But it was burdened with interest payments on debt of £78.6m, suffered from lower than expected initial volumes, and met increased competition from newly privatised port groups. Nevertheless, the groundwork for two extra container lanes and an extension to the quay was laid out in the initial development phase. This means capacity can be increased sharply for the relatively small investment of £15m.

The acquisition of the port brought Rutland tax losses of more than £50m from trading and unclaimed capital allowances of more than £40m. Both these figures are now understood to be substantially higher.

The group, which also announces its interim results today, said in June that Lykes of the US was transferring its 25,000 containers a year from Felixstowe to Thamesport. Mr Langdon said then that the container business was growing much faster than expected.

Rutland also announced in June a complex deal that gave it effective control of Cape, the maker of fire preventive materials.

Some of the value extracted from rationalising that business will go towards the investment in Thamesport.

Analysts are expecting an interim pre-tax profits of about £8m.

One-2-One in fresh campaign

By Alan Cane

Ms Jan Peters, chief executive of Mercury One-2-One, plans to unleash an "aggressive" marketing campaign next month which could take its mobile phones into supermarkets, chemists and DIY stores.

Ms Peters, formerly president of wireless operations and investments at US West's media group, is keen to see whether phone marketing techniques which proved successful in the US will translate to the UK.

Her priority, after three months in office, is to restore the competitiveness of One-2-One, the UK's smallest mobile operator.

Ms Peters says: "Only one person in 10 in the UK has a mobile phone. One key to greater penetration is easier access to the product."

Ms Peters' efforts at One-2-One, owned equally by Cable and Wireless and US West, will be closely watched by the City. The three-year-old company is recovering from the critical error of providing services only in London and the Midlands while its competitors, Vodafone, Cellnet and Orange, completed national networks.

MMC water verdict on course for Friday

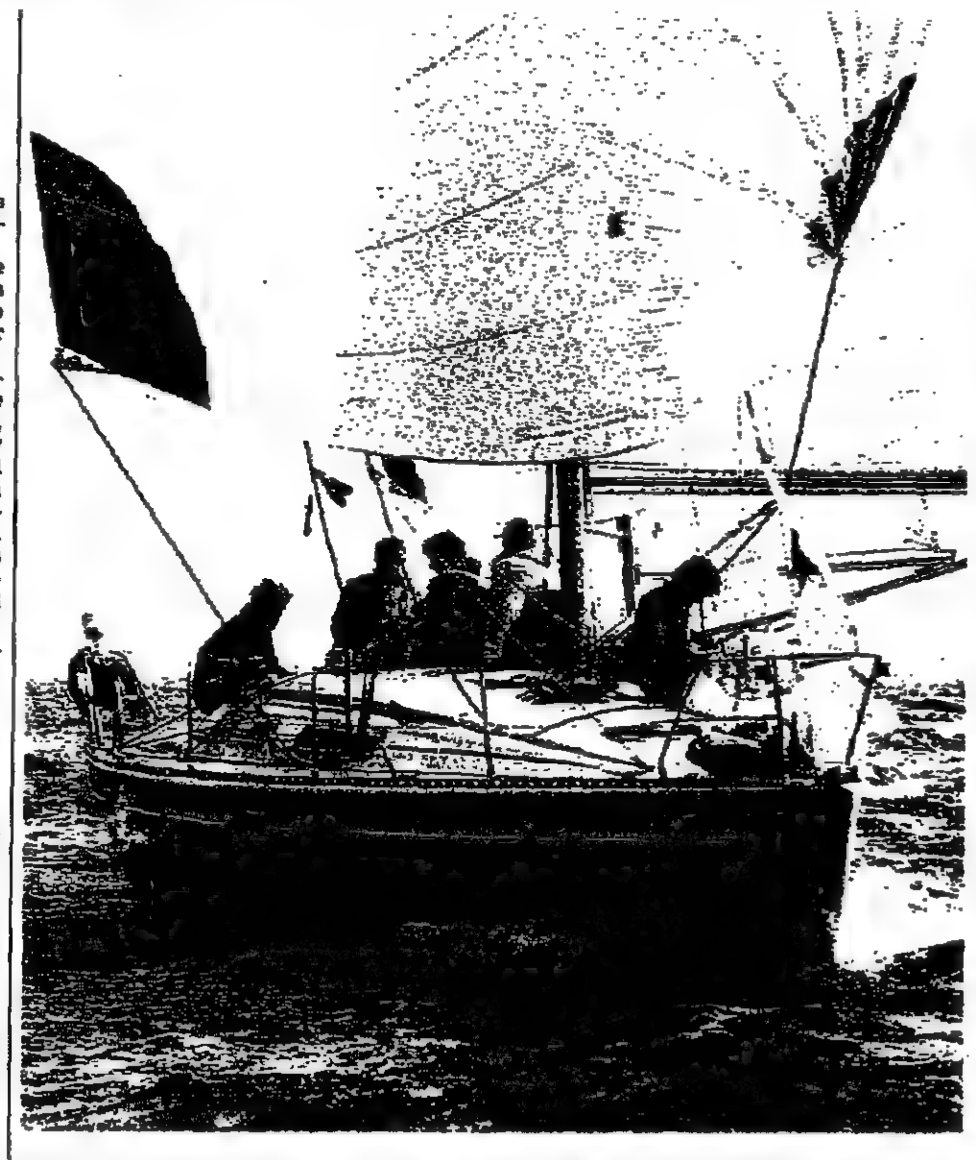
By Jane Martinson

The Monopolies and Mergers Commission is on course to deliver on Friday its verdict on the largest takeover bid in the water sector.

Recommendations from the four-month investigation into the rival bids by Wessex Water and Severn Trent for South West Water will be passed to Mr Ian Lang, trade and industry secretary. His decision is expected to take another three to four weeks.

The investigation's extension to cover the waste management companies owned by the three groups had prompted concern about further delays. But the MMC said there was "no reason to believe that the inquiry will not be completed on time".

Since launching the bids in March the target's share price has risen by about 40 per cent to close at 701½p on Friday, valuing it at £897m.



National Grid powered into first place to win the Ellis and Buckle Industry Sailing Masters trophy amid much drama on high seas of the Solent yesterday. Perhaps being rammed by Law Society helped the winning crew along, but by coming first in each of the five races they proved the result was not rigged.
At the end of the day Deloitte & Touche came home only 6.5 points behind the leaders on 70.5, and Balfour Beatty managed to build up a decisive 0.5 point lead on Inchcape to take third place with 58 points.

Bass rivals expect merger concessions

By Roderick Oram, Consumer Industries Editor

Bass may have to make big concessions to gain regulatory approval for its acquisition of Carlsberg-Tetley, according to rival brewers and pub owners.

Bass argues that independent pub chains are driving such hard bargains with brewers that terms of trade will change little following the merger. Thus, it says, the deal should be approved by regulators with few or no concessions on its part.

But the chief executive of a competing brewer said if Bass lifted its market share from 23 per cent to 35-38 per cent, making it once again the UK's largest brewer, "beer prices will harden".

The Office of Fair Trading is probing the issue and has sent questionnaires to brewers and pub owners, seeking answers by Thursday. The questions focus on the effect on wholesale prices if the number of national brewers is reduced from four to three. The perception that Bass will be too dominant is likely to stiffen the OFT's resolve to use the occasion of a big brewing merger to loosen further the vertical integration between brewing and pub retailing.

If the OFT decides to do so, it can recommend that Mr Ian Lang, trade and industry secretary, initiates a Monopolies and Mergers Commission inquiry.

Mr Lang can accept the advice, reject it and let the deal through, or ask the OFT to seek undertakings from Bass to modify the deal to increase competition. Short of seeking an MMC referral, the OFT could ask for undertakings itself.

Bass would be under heavy pressure to co-operate with regulators rather than face a protracted investigation. It cannot run Carlsberg-Tetley until the issue is settled and competitors, notably Whitbread, are already courting Carlsberg-Tetley customers.

Bass could undertake to sell brands, breweries or pubs to lessen its market power but disposing of pubs is seen as the most effective and likely remedy.

Regulators might force it to sell as many as 1,000 of its more than 4,000 pubs, some analysts and industry executives have suggested.

With such a disposal, Bass would lose about 500,000 barrels of beer sales and about £36m in operating profits a year from the tenanted pubs, estimates Kleinwort Benson.

Fujitsu seeks top PC position

By Paul Taylor

Fujitsu, the Japanese electronics group, is aiming to become one of the top three personal computer suppliers in the world by the end of the decade, Mr Tadashi Sekizawa, president, said at the weekend.

"Our ambition is to be number one worldwide, but realistically we want at least third place worldwide and to be in the top three in Europe by the year 2000," he said in an interview in London.

The Japanese group, which owns a majority stake in ICL, the UK computer systems and services business group, is already in the top 10 PC manufacturers in Japan, following a surge over the past two years in sales of 'Wintel' PCs – machines based on the Microsoft Widows operating system and Intel microprocessors.

Fujitsu has grabbed 30 per cent of the Japanese PC market – much of it from NEC which had dominated with machines based on its own proprietary technology.

According to Datamation, the market research group, Fujitsu, with global revenues of $35.5bn (£23bn), is the second largest computer group in the world after IBM. The group, which includes UK-based Fujitsu ICL Computers, produces about 2.7m PCs a year.

Mr Sekizawa said the absorption of the former ICL volume products business into Fujitsu's global PC business would help lower procurement costs and enable it to compete more effectively.

The machines currently sold in Europe are badged Fujitsu-ICL, but he said that from next month, all the machines would bear the Fujitsu brand alone.

Meanwhile, Fujitsu has set up a US subsidiary which is aiming to be in the top five vendors of portable notebooks by 1998. Mr Sekizawa said a key part of Fujitsu's strategy will be to extend its push into the higher-margin portable segment.

Healthcare fund to be launched in October

By Daniel Green

An investment trust specialising in the healthcare sector and aiming to raise at least £20m ($31m) is to be launched next month.

The Healthcare Reform Investment Trust plans to put 85 per cent of cash raised into the US, where its managers believe there are many under-researched companies.

The funds will be managed by Healthreform Partners, a wholly-owned subsidiary of Melhado Flynn & associates of New York.

Such funds are unusual even in the US, where the healthcare sector is largely privately owned. But Mr David Talbot, president of Healthreform Partners, believes there is unsatisfied demand in London for healthcare investment vehicles.

Shares are to be offered at 100p each.

Big funds should have lower fees

But it isn't always the case, says **Philip Coggan**

Most industries enjoy economies of scale. That ought to be true of fund management as well. It should not require 10 times the resources to manage a £1bn portfolio that are needed to look after £100m.

But these economies do not necessarily get passed on to the investor. A survey by consultants Timberlake & Company shows that, while UK investment trusts pass on savings, the same does not apply to unit trusts and offshore funds.

The survey's antecedents need careful consideration. It was commissioned by the Association of Investment Trust Companies and focuses on the international sector, home to many of the best managed, low-fee investment trusts.

Nevertheless, some of the findings are striking. For investment trusts, the largest funds have expense ratios which are only a quarter of the smallest trusts; for unit trusts, average expenses are *proportionately greater* for £300m to £1bn funds than they are for funds with less than £30m.

The survey concentrates *on total* expense ratios (TERs), which include all those expenses billed on an annual basis against a fund's income.

The main element is the management fee, but the ratio also includes custodian fees and administrative expenses.

What it does not include is the dealing costs involved in buying and selling shares, which can be high if the fund manager trades frequently.

TERs can be significantly higher than the management fee, which Richard Timberlake believes is a misleading indicator.

For investment trusts with less than £30m under management, for example, the average management fee is just 0.73 per cent. But that rate is nearly doubled, once you allow for all the other costs, which brings the total expense ratio up to 1.37 per cent.

These other costs have a fixed element, which means that they should be proportionately less important as the size of fund increases. For investment trusts in the £300m to £1bn range, the average management fee is 0.45 per cent and all the other expenses add just another three basis points, bringing the total expense ratio up to 0.48 per cent.

But these economies of scale do not seem to apply to either unit trusts or offshore funds. For unit trusts, this is because the TER for funds in the £300m to £1bn is actually higher – 1.68 per cent compared with 1.62 per cent – than for trusts up to £30m.

FUND MANAGEMENT

One reason for this oddity may lie in the distribution system and the recent price wars in the unit trust industry.

Most unit trusts are sold through brokers or independent financial advisers who collect a commission for doing so. This commission was traditionally awarded in the form of a 3 per cent upfront payment deducted from a trust's 5 per cent initial charge.

However, some trusts have recently been competing for the business of private investors by cutting the initial charge; but to keep the advisers happy, they have been paying an annual renewal fee, which they have recouped by raising their annual management fee, often from 1 to 1.5 per cent.

Management fees at the largest international unit trusts (which by definition are the most successful at attracting money from financial advisers) average 1.38 per cent, compared with just 1.29 per cent at the smallest funds. International investment trusts, in contrast, tend to reduce their management fee as the fund size increases.

Offshore funds have a reputation for higher charges and this is certainly borne out by the survey. Some of the smaller funds have TERs of more than 3 per cent, and in each size category where they are represented, they have higher TERs than either unit or investment trusts.

However, the good news, according to the survey, is that "offshore funds TERs, which have been extraordinarily high sometimes in the past, have declined significantly in recent years, as the popularity and cross-border marketing of these funds, as well as greater management consciousness of TERs, brings them down."

Nevertheless, investment trusts still appear to have significant cost advantages over the rival vehicles. Timberlake points out that it is uneconomic to launch an investment trust which is too small, given that a large proportion of the costs pertaining to a closed-end fund fall at the time of its formation.

"Whereas investment trusts cannot be launched unless they are reasonably economic, this is not the case for unit trusts and particularly for offshore funds, where investors are being forced to subsidise the diseconomies of scale in funds which should be either not launched or closed."

US research has indicated that funds with the lowest charges outperform over the longer term – after all, they have a head start. But investors need all the necessary information to be able to decide.

Timberlake thinks that "the declaration of a maximum TER policy should be encouraged or preferably made obligatory for management groups, especially for new funds".

COMPANIES AND FINANCE

BASF steps up investment in Asia

By Jenny Luesby in London

BASF, the German chemicals company, is to invest several billion D-Marks in giant chemical complexes in Malaysia and India modelled on the company town of Ludwigshafen, which lies at the centre of its operations in Germany.

The group has already agreed a DM6bn ($4bn) complex in China as a joint venture with state-owned Yangtze Petrochemical. That deal is more than 30 times bigger than any other chemicals joint venture in China, and aims to double output from a 7km sq site to more than 5m tonnes a year of petrochemicals. The site is already home to 20,000 workers, seven schools and a hospital.

BASF said it acquired another large site, of 180 ha, in Kuantan on the east coast of the Malaysian peninsular, where it plans to build a number of linked production sites.

It has so far agreed $300m of investment at the site, in an acrylic acid plant in a joint venture with Petronas, the state oil company, and is in talks on a second scheme that will include a propane dehydration plant.

Over the next five years, the group plans to spend between 25 and 30 per cent of its DM30bn investment budget in Asia. It is committing DM3bn to the Chinese project. Most of the rest will go to Kuantan and Mangalore in India, said Mr Volker Trautz, director responsible for Asia.

This level of investment represents a change of direction for the group, which in the last five years committed just 5 per cent of its DM28bn investment budget to Asia.

The spending in India will follow the build-up in Malaysia, with BASF anticipating a huge slug of investment "right after the turn of the century", said Mr Trautz.

With a neighbouring refinery, it plans to develop Mangalore as a petrochemicals complex. However, it is already building plants to make dyes and other chemicals for the textiles and leather industries.

Such large investments in Asia pose no threat to employment and output at Ludwigshafen, said Mr Trautz. "The bulk chemicals and plastics we will be producing in Asia will generate sales for higher-margin additives, such as plasticisers, that will still be produced in Germany."

However the group recently announced the closure of some of its textile and leather chemical operations at Ludwigshafen, and it has said it expects most of its sales growth to come from Asia.

It aims to lift sales and operating profit from the region from 10 per cent of the group total to 20 per cent by 2010, despite the fiercely competitive nature of the chemicals industry in eastern Asia.

Sanlam spells out international plans

By Hugo Dixon, recently in Cape Town

Sanlam, the South African mutual life insurance conglomerate, will consider whether to convert to a stock-market listed company in three to four years. Its chairman, Mr Marinus Daling, said in an interview that such a move could accelerate its plans to become a more focused international financial services group.

Sanlam, established in 1918, was the most important vehicle for extending Afrikaaner economic power during apartheid. It now controls over 12 per cent of the companies listed on the Johannesburg SE by market capitalisation.

Because of its central role in the South African economy, demutualisation could hasten the transformation of the country's industry, which is noted for its elaborate cross-shareholdings and an inward-looking culture which developed under apartheid.

Mr Daling said there was an "open debate" within Sanlam over whether to demutualise or not. But some executives and advisers believe its drive into international markets will push it in the direction of demutualisation.

If it had a stock-market listing, it would find it easier to raise new capital for expansion and making acquisitions, they say. But without such capital, Sanlam's international growth will be slower.

Sanlam has already played a leading part in breaking up South Africa's conglomerates. Some three years ago it pushed Gencor – a mining, energy and paper conglomerate it controlled – to shed its non-mining activities. It is now unbundling Malbak, a consumer goods group in its sphere of influence.

Mr Daling said Sanlam's aim was to cut further its stakes in industrial companies so they became normal investments of the type any life insurance group would hold. It would focus on building its financial services side (life insurance, banking, general insurance and venture capital) and expanding internationally.

He said demutualisation was "not on the front-burner at the moment". The priority over the next two to three years was to get into shape to compete in global markets, by improving its information technology and productivity. After that, the topic would be revisited.

See Lex

US approval for MS drug set to lift Teva

By Judy Dempsey in Jerusalem

Teva, Israel's largest pharmaceutical company, expects sales to rise at least 30 per cent over the next two years following the decision by the US Federal Food and Drug Administration to recommend the approval of Copaxone, its multiple sclerosis drug, according to Mr Dan Suesskind, chief financial officer. Total sales last year amounted to $667m.

The recommendation enables Teva to compete internationally with Schering, the Berlin-based group which has launched its own multiple sclerosis drug, Betaseron, in Europe and the US, and Biogen, the US group which markets Avonex. Exports already account for more than 70 per cent of Teva's sales, which are mostly of generic drugs.

Teva's shares on Nasdaq closed down $1¼ at $45¾ on Friday, after a 10 per cent rise the previous day following the FDA's decision.

"It is clear that with this FDP recommendation, Teva, and indeed Israel could become a significant player in the international pharmaceutical market," said Mr Jerry Treppel, of US securities house Dillon Read. He added that trials for Copaxone showed few negative side affects and it appeared to be more effective than its competitors.

Analysts reckon Teva could capture 17 per cent of relapsing remitting multiple sclerosis patients which number 200,000 to 300,000 worldwide. This could boost Teva's sales by at least $200m by 1998 and earnings per share from the current $1.18 to $2.40.

Maruti partners agree terms for fundraising

By Mark Nicholson in New Delhi

The board of Maruti, India's biggest carmaker, has finally agreed terms for a $428m expansion to raise output by 100,000 vehicles a year, to 350,000, and sustain its dominant share of the fast-growing passenger market.

Final approval of the expansion had been delayed for almost a year by a disagreement between the Indian government and Suzuki, the Japanese carmaker, which are equal partners in the car company. Suzuki had sought an equity offering, a move resisted by the government because it was against any dilution of its stake.

The company's board, however, agreed this week to raise Rs6bn ($168m) from internal accruals and an additional Rs9bn from a series of debt issues to finance the project. The expansion, which will include building a new paint shop, upgrading existing models, and adding engine manufacturing capacity, is expected to be completed by the end of 1998.

Maruti said no recourse to debt would be necessary this fiscal year, ending in March, and that issues after then would depend on needs and market conditions. Mr R. C. Bhargava, managing director, said the company would look at making a global depositary receipt issue.

Maruti reported after-tax profits of Rs6bn for 1995–96, a 64 per cent rise on Rs2.48m a year earlier, on turnover of Rs66.7bn. The board recommended a dividend of 20 per cent, up from 15 per cent a year earlier.

Domestic property fund from Unibail

By Andrew Jack in Paris

Unibail, the French property group, has unveiled details of a new fund designed to invest up to FFr5bn ($974m) in the domestic market, in a sign of renewed optimism about the sector's health.

Mr Léon Bressler, chairman, said Crossroads Property Investors, to be based in Luxembourg, would be the first French-managed fund for foreign institutions to concentrate on the French market.

"The property sector suffered a crisis it had never previously known," he said. "We have seen massive restructuring. Now it is largely behind us. If we are not out of the tunnel, we are very near its end."

Unibail will hold nearly 20 per cent of the fund, having invested FFr250m, and will manage it. It aims to attract a further dozen European and US institutions, principally pension funds and some insurance companies, each of which will also hold less than 20 per cent. Mr Bressler said there could also be Asian investors.

It would borrow additional money leveraged on the capital raised from its investors, and would above all buy property – especially offices in the Paris region, where Mr Bressler said the slump had been greatest and the potential was highest.

He said he would resign from his directorship with Worms & Cie, the holding company which holds 9 per cent of Unibail, as part of a series of initiatives designed to ensure there was no potential conflict of interest.

He said no transactions would be carried out between Unibail and Crossroads and that Unibail would not acquire new property over the next two to three years.

Its announcement on Friday coincided with publication of net profits of FFr141.8m for the first half of 1996, compared with FFr140.9m last time. Recurring cash flow was FFr202m.

INTERNATIONAL NEWS DIGEST

RBC leads C$3bn Nav Canada loan

Royal Bank of Canada will lead a syndicate of Canadian and foreign banks to raise C$3bn (US$2.19bn) for Nav Canada, a company formed to take over Canada's extensive air traffic control system. The financing is to meet Nav Canada's needs pending forthcoming bond issues. The three tranches of the bank credit line will have maturities between one and six years.

Nav Canada is the largest spin-off of a Canadian government enterprise. It has been organised as a non-share capital company controlled by members appointed by airlines, trade unions, the government and other aviation interests. Its 6,000 employees operate seven area control centres, 44 control towers and 86 flight service stations covering Canada and international airspace over a large portion of the North Atlantic and Arctic. The company will be entirely funded by user fees, including landing and take-off charges, and charges for overflying Canadian territory. During a transition period, the government will turn over to Nav Canada receipts from a tax on airline tickets. *Bernard Simon, Toronto*

SGS ahead at operating level

A turnround in the North American operations of Société Générale de Surveillance (SGS), the world's biggest international inspection and testing organisation, helped lift operating profit 22.5 per cent, to SFr136.1m ($109.7m), in the first six months of 1996. A drop in financial revenues and a higher tax charge reduced the growth in net profits to 10.9 per cent, at SFr110.9m.

Group revenues rose 8.6 per cent, to SFr1.4bn. After adjusting for foreign exchange movements and acquisitions, SGS estimates internal growth at 9.5 per cent. Although SGS said it expects the positive trend to last all year, its bearer shares fell 3 per cent, to SFr2,840, following the results. SGS has been one of the strongest performers on the Swiss stock market this year.

North America is SGS's second-biggest market, and last year's results were depressed by heavy losses at GAB Robins North America, which provides loss-adjusting services for the insurance industry. In the latest six months, GAB broke even and North America reported an overall operating profit of SFr8m, against a SFr1.5m loss last year. North American revenues, which had shrunk by 18 per cent last year, rose 11.7 per cent, to SFr329.5m in the current half. *William Hall, Zurich*

Swedish banks quiet on tie-up

Sweden's two most powerful banks, Svenska Handelsbanken and Skandinaviska Enskilda Banken, have declined to comment on a Swedish press reports that they had held preliminary talks on a possible merger. Further rationalisation within the Swedish banking sector, which has recovered from a deep loan loss crisis in the early 1990s, has been widely anticipated as the banks battle flat lending demand, increased competition and the prospect of greater international competition under European monetary union. *Hugh Carnegy, Stockholm*

Mediaset surges to L497bn

First-half pre-tax profit at Italian media group Mediaset jumped 53 per cent to L497bn ($326.1m). The figures are the first published by the company since its initial public offer and stock market listing in summer. Mediaset is part of the Fininvest group, controlled by former premier Mr Silvio Berlusconi. AP-DJ, Milan.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Aberdeen Scotland Inv 0.825p
Adelaide Bank FRN 1996 $15.31
Comm Loans on Inv Property (No 1) Class A Mtg Bckd FRN 2009 £128.37
Do Class M1 £173.42
Do Class M2 £176.39
Do Class B £251.74
Commonwealth Bank of Australia 13¼% Bd 1999 A$137.50
Eksportfinans Sb FRN 2002 $25.86
European Inv Bank 11% Ln 2002 £275.0
Field 5.7p
Fleming Geared Inc & Assets Inv Tst 3.7p
Leumi Int Invs Gtd FRN 1997 $297.08
Middle Wits R0.174
Midland Bank Und Prim FRN (Sep 1995) $295.49
Nash (Wm) 2.6p
National Power 6¼% Cv Sb Bd 2008 £31.25
Nihon Doro Kodan 7⅝% Gtd Bd 2004 $381.25
Okamura 4⅞% Nts 1997 $4875.0
Peoples Rep of China 4⅜% Nts 1998 Y43750.0
SGW Fin 13¼% Gtd Nts 2001 A$331250.0
Woolwich Bldg Scty FRN 1999 £154.10
Yokohama 7⅝% Gtd Bd 2004 $78.25
Yorkshire Water 6¾% Snr Cv Bd 2008 £33.75

■ TOMORROW
Aegon FL1.16
Asian Dev Bank 10¼% Ln 2009 £258.25
Birmingham Midshires Bldg Scty Sb FRN 2005 £34683.90
Boots 10½% Bd 2017 £2531.25
Bradstock 1.8p
British Land 8⅞% 1st Mtg Db 2035 4.4375p
Daiwa Int Fin Fxd/FRN Sep 2002 $8250.0
Furukawa Elec FRN Mar 1998 Y22461.0
Do FRN Jun 1998 Y22461.0
Gold Fields of South Africa R1.40
Greenalls 11½% Db 2014 £5.75
Do 7% Cv Sb Bd 2003 3.5p
Guaranteed O'seas Ln Fin (No 1) Sec FRN 2007 £3004.82
Int Bank for Reconstruction & Dev 9½% Ln 2010 £4.75
Royal Dutch Petroleum FL4.30
SGW Fin Gtd FRN 1998 £15.27
Sidlaw 7½% Un Ln 2003/08 £3.75
Sotheby's A Lim/Vtg $0.08
Spain (Kingdom of) 11¾% Ln 2010 £293.75
Standard Chartered Und Prim Cap FRN £76.20
Treasury 2½% IL 2001 £2.3965
YTB Fin (Aruba) Gtd Sb Fxd/FRN 2002 $6600.0

■ WEDNESDAY SEPTEMBER 25
ABF Invs 5½% Un Ln 1987/2002 1.375p
Do 7½% Un Ln 1987/2002 1.875p
ABN Amro FL1.80
Asahi Chemical 6% Bd 1997 Y600000.0
BG Bank Sb FRN 2000 $3351.37
British Land 8⅞% Bd 2023 £443.75
Do 12½% Bd 2016 £625.0
Channel Hldgs 0.95p
Dainippon Screen Mfg 6.1% Bd 1997 Y610000.0
Daiwa PB Und Gtd Sb FRN Y1558470.0
Fleming Worldwide Inc Inv Tst 1p
Do Red Div 28p
Do Units 1p
Fuji Bank Int Fin Perp Sb Gtd FRN Y156274.0
Do Und Sb Gtd Var Rate Nts Y28560.0
HIH Capital 7½% Cv Cap Bd 2006 £187.50
Hercules $0.23
Hill & Smith 2.1p
Konica 7¼% Nts 1998 Y725000.0
Merrill Thompson & Breeden 10¼% Db 2012 £5.125
M & G Recovery Inv Tst 1p
Do Geared Units 1p
Do Package Units 1p
Murray Smaller Markets Tst 3.45p
NEC 7.15% Bd 1997 Y715000.0
NT & T 5⅞% Nts 1998 Y58750.0
New Zealand 11½% 2014 £287.50
Northern Elec 12.881% Bd 1999 £633.05
Oldham Int 10p
Sabre Int Ser P Var Rate Sec Nts 1998 Y21742.0
Sumitomo 6% Bd 1997 Y600000.0
Sumitomo Metal Inds 5.9% Bd 1998 Y590000.0
Templeton Emerging Markets Inv Tst 1p
Trafalgar House 10⅜% Bd 2006 £108.25
Treasury 8% 2009 £4.0
Union 1.5p

■ THURSDAY SEPTEMBER 26
British Land 6% Sb Irrd Cv Bd £30.0
Daily Mail & Gen Tst 5¾% Exch Bd 2003 £28.75
Exchequer 12¼% 1999 £6.125
Kansai Int Airport 9½% Gtd Bd 1997 $950.0
North British Housing Assoc 8⅝% Gtd Sec 2018/20 £4.3125
Robert Wiseman Dairies 2.1p
Treasury 13½% 2004/08 £6.75
Vaux 9¾% Db 2015 £4.9375
Do 10¾% Db 2019 £5.375
Do 11¾% Db 2010 £5.875

■ FRIDAY SEPTEMBER 27
Abbey National Fst Cap Sb Cld FRN 2004 C$32.14
Black & Decker $0.12
Brockbank 5.32p
Electric & General Inv 1.85p
European Assets Tst FL0.06
Fin Receivables for Sec Trans No 4 Mezzanine Asset-Bckd FRN 2010 £1822.40
Do Snr Asset-Bckd FRN 2010 £922.70
Gencor R0.18
Halifax Bldg Scty Sb Var Rate Nts £157.73
Jupiter Geared Cap & Inc Tst 1999 1.4p
Mansfield Brewery 11½% Db 2010 £5.75
Marine Midland Bank Sb Cap FRN 1996 $145.36
MBL Fin (Curacao) 8⅛% Gtd Bd 2001 $81250.0
Mersey Docks & Harbour 6¾% Rd Db 1996/99 £3.375
NationsBank $0.58
Nihon Doro Kodan 7⅝% Gtd Bd 2002 C$78.75
Porvair 1.9p
Pelion 0.65p
Residential Property Sec No 3 Class A2 Mtg Bckd FRN 2025 £1467.75
Do Class B £1771.52
Scottish Life Assurance 7⅛% Un Ln 1997/2002 £3.5625
Smaller Co's Inv Tst 1.3p
Stock 1 Class A Fltg Rate Mtg Bckd Sec 2029 £105.57
Thames Asset Global Sec No 1 Class A1 Asset Bckd FRN 2037 £1416.52
Treasury 8% 2013 £4.0

■ SUNDAY SEPTEMBER 29
Guaranteed Export Fin 12⅝% Gtd Ln 2002 0.12875p
Manchester 3% Rd Cons (1926) £0.75
Metropolitan Water Board Chelsea Waterworks 2¾% Db 1997 £1.375
Nottingham Water Anns (£3.50) £1.75
Do (£1.35) £0.675
Tendring Hundred Water 4½% Rd Db £2.25
Trafalgar House 8% Un Ln 1994/99 £4.0
Do 9½% Un Ln 2000/05 £4.75
Wynnstay Prop 8½% Cv Ln 1992/97 £4.2493

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Baring Emerging Europe Tst, 155, Bishopsgate, E.C., 2.30
Kendell, 24, Britton Street, E.C., 10.30
Marnier-Swala, Southam Road, Banbury, Oxon, 3.00
Merrydown, Horam Village Hall, Horam, East Sussex, 12.00
Murray Smaller Markets Tst, Glasgow Royal Concert Hall, 2, Sauchiehall Street, Glasgow, 12.30
BOARD MEETINGS:
Finals:
BZW Endowment Fd
Close Brothers
Community Hospitals
Kleinwort Development Fd
Melrose Energy
Regent Inns
Interims:
Benrose
Britannia
Galion
Jacksons
Rutland Tst
SIG
Scholl
Sentry Farming
Transtec
YCI

■ TOMORROW
COMPANY MEETINGS:
Dunedin Inv Tst, 99, Charterhouse Street, E.C., 12.30
Farepak, Founders Hall, 1, Cloth Fair, E.C., 12.00
MFI Furniture, Chartered Accountants Hall, Moorgate Place, E.C., 11.00
Nelco, Hammonds Drive, Eastbourne, East Sussex, 10.00
Williamson Tea Hldgs, Donnington Valley Hotel, Old Oxford Road, Donnington, Berks., 12.00
BOARD MEETINGS:
Finals:
BCE
Landu Hldgs
Pan Andean Res
Southern Newspapers
Interims:
Arcolectric
Ashley (Laura)
Britton
Chelsfield
Clarkson (Horace)
Hodder Headline
IFG
McAlpine (Alfred)
Pittards
Queens Moat Houses
Radius
Ruberoid
Vero

■ WEDNESDAY SEPTEMBER 25
COMPANY MEETINGS:
Angerstein Underwriting Tst, 135, Bishopsgate, E.C., 4.00
Banks (Sidney C), Bedford Moat House Hotel, St. Mary's Street, Bedford, 12.30
Courts, 150A, Fleet Street, E.C., 11.00
Hadleigh, Novotel Hotel, Ipswich, 1.00
Railtrack, Barbican Hall, Barbican Centre, E.C., 11.00
Vardy (Reg), Houghton House, Wessington Way, Sunderland, 12.00
BOARD MEETINGS:
Finals:
BBS Design
Barratt Developments
Henderson Eurotrust
Muckiow (A & J)
Murray Split Capital Tst
Interims:
Alexon
Brake Brothers
Carisbrooke Shipping
Dencora
Harrison & Crosfield
Helical Bar
Ibstock
Norish
Radamec
Ryan Hotels
Scallfield
Terex

■ THURSDAY SEPTEMBER 26
COMPANY MEETINGS:
Ashquay, Watermens Hall, 18, St. Mary at Hill, E.C., 12.00
British Bloodstock Agency, Queensbury House, 128, High Street, Newmarket, 12.00
Electric & General Inv, 8, Finsbury Avenue, E.C., 3.00
First Technology, 50, Station Street, W., 10.30
Formlester, Prince Regent Hotel, Manor Road, Woodford Bridge, Essex, 12.30
NWF, Swan Hotel, High Street, Tarporley, Cheshire, 10.30
OMI Int, 1-11, Hay Hill, Berkeley Square, W., 10.00
Tinsley (Eliza), Botanical Gardens, Westbourne Road, Edgbaston, Birmingham, 10.30
Wood (John D), 28, Curzon Street, W., 12.00
BOARD MEETINGS:
Finals:
Beazer Homes
Gent (SR)
McBride
Premium Tst
Renishaw
Schroder Japan Growth
Interims:
British Dredging
Bruntcliffe Aggregates
Garton Eng
Global
Higgs & Hill
[illegible]
Norcor
Oliver
Ramco Energy
Redland
TDS Circuits
Trinity

■ FRIDAY SEPTEMBER 27
COMPANY MEETINGS:
Beales Hunter, Rosebury Street, Loughborough, Leics., 12.00
Betacom, Unit 1, Ponders End Industrial Estate, Duck Lees lane, Enfield, Middx., 11.00
Cavaghan & Gray, North lakes Hotel, Ullswater Road, Penrith, Cumbria, 12.00
Dyson (J & J), Tapton Hall, Shore Lane, Sheffield, 12.00
Mack (M & W), 43, North Street, Chichester, West Sussex, 12.30
McKay Securities, 20, Parkside, Knightsbridge, S.W., 12.00
Ptarmigan Int Cap Tst, 45, Charlotte Square, Edinburgh, 3.30
Real Time Control, Eton House, Elton Way, Watford, Herts., 12.00
Stewart Zigomala, Portland Building, 127-129, Portland Street, Manchester, 12.00
BOARD MEETINGS:
Finals:
Bailey (CH)
Graystone
Shaw (Arthur)
Welly
Interims:
Hepworth
Holt (Joseph)
Int Energy
Specialty Shops
Streamline Hldgs

Company meetings are annual general meetings unless otherwise stated. Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

FINANCIAL TIMES

MARKETS THIS WEEK

Global Investor / Peter Martin

Japan's dawning of a new age

Next Friday, the Japanese parliament is due to a make a formal announcement of an early general election, the first under the new electoral system designed to produce a stable two-party system. It is a sign of the fading hopes of reformers, however, that the most now hoped for is the reappearance of an LDP majority government.

The mood of "business as usual" is especially marked for western investors. A sluggish recovery; a stock market which, in dollar terms, is no higher today than a year ago; big Japanese companies still struggling to escape the overcapacity of the bubble years – have all lessened the faith of even the most optimistic of western investors.

Most harmful of all, perhaps, is the damage to the image of Japanese economic, financial and business competence created by the mismanagement of the 1980s and early 1990s.

Moods of this sort are always exaggerated. There will be an inevitable reaction against the current pessimism. And when it comes, it will be reinforced by growing perceptions of an important change in Japanese economic fundamentals.

Historically, Japan's strength and weakness has been a much higher level of savings than in other developed economies. The strength was the way in which this pool of savings allowed the rapid expansion of the country's productive potential. The weakness was that once the immediate opportunities for investment were exhausted, the high savings rate led to a substantial misallocation of resources.

The big change, already under way, is the long-term decline of the savings rate, which cuts across the experience in all other developed countries. This point is made in a recent paper* by David Miles, professor of economics at Imperial College, London and an economist at Merrill Lynch.

In every other big developed economy, savings rates are about to rise by 2 percentage points or so as a proportion of gross domestic product in preparation for the retirement of ageing populations. In Japan it has happened. Says Prof Miles: "The growth in the relative importance of the age cohorts who do most saving – roughly the 40 to 60 year olds – occurred over the past 20 years; over the next 20 years there is a net reduction in the importance of these age groups as more and more people move into retirement. As a result, the private sector saving rate in Japan is, all else equal, forecast to decline steadily from now on. By 2040 the private saving rate is about 4 percentage points below its 1995 level."

In other developed economies, the coming rise in savings as seen as a powerful motor for the equity market, ensuring that ageing baby-boomers pour money into it. In Japan, however, it is the reduction in savings rates that offers long-term hopes for the equity market.

Japan's recent economic stagnation is, after all, partly attributable to excessive private-sector saving. It has led to a current account surplus, trade tensions, periods of yen overvaluation, the transfer of production abroad, and a sharp rise in the government deficit as the only way of offsetting the contractionary effects of private-sector saving.

Pessimistic assumptions about Japan's economy over the next few decades depend on the belief that domestic growth will continue to be constrained by high private savings, which will hold down the rate of return on equity. This flow, it is argued, cannot find an easy outlet abroad because of hostility to Japanese capital exports and the caution of Japanese companies after their unhappy experiences in the 1980s acquiring glamorous foreign assets – such as "trophy" real estate and Hollywood studios. The lesson of the falling savings rate is that this problem may not be as bad as has been feared.

Japan still faces many short-term problems. As Nomura's lending write-offs last week indicated, the financial sector has still not absorbed the damage caused by the excesses of the bubble years. The lack of animal spirits on the part of big companies, banks and consumers will act as a drag on business activity: growth in bank lending is still slowing rather than rising, as would be normal at this stage of the economic cycle.

Yet if Prof Miles is right and Japan's savings rate is in long-term decline, one of the most important background issues is about to resolve itself. Perhaps a new era really is dawning.

* *The future of savings and wealth accumulation: differences within the developed economies. By Professor David Miles. Global Securities Research and Economics Group, Merrill Lynch, Pierce Fenner & Smith, London.*

Total returns in local currency [illegible]

Cash						
Week	0.10	[illegible]	[illegible]	[illegible]	0.18	0.11
Month	0.45	0.04	0.25	[illegible]	0.79	0.46
Year	[illegible]	[illegible]	4.18	[illegible]	10.21	6.75
Bonds 3-5 year						
Week	[illegible]	0.65	0.65	0.60	0.88	0.70
Month	[illegible]	1.05	0.96	1.34	2.10	0.53
Year	[illegible]	2.50	7.75	11.55	19.07	[illegible]
Bonds 7-10 year						
Week	0.25	0.78	0.76	[illegible]	1.20	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Year	1.81	[illegible]	8.71	[illegible]	25.82	[illegible]
Equities						
Week	1.2	2.5	1.2	0.6	1.0	1.0
Month	2.8	1.1	2.1	4.8	-0.6	2.2
Year	19.3	9.7	14.0	18.2	-9.9	16.9

Source: [illegible] The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co. and Standard & Poor's.

COMPANY RESULTS DUE

Reduced half-way loss at Alcatel

The French electronics group will on Thursday report a first-half net loss of between FFr100m ($19.65m) and FFr774m, compared with a net loss of FFr1.23bn. The improvement would be mostly because of falling restructuring charges, a smaller tax bill and lower amortisation, with the contribution of ongoing operations uncertain, it said.

Morgan Stanley analysts said they were looking for a first-half net loss of FFr540m. "We derive a lot of this potential improvement from the expected absence of restructuring costs, lower amortisation and a lower tax charge," they said. The contribution of ongoing operations to results is much less certain, notably from the company's flagship telecommunications business, analysts said.

Alcatel Alsthom suggested in August that telecoms was improving, with orders in the division ahead by more than 20 per cent year-on-year in the first half, but some analysts were not convinced. "There is no doubt that orders were good, but billings were not great," said one. Group sales fell from FFr78.31bn to FFr74.34bn.

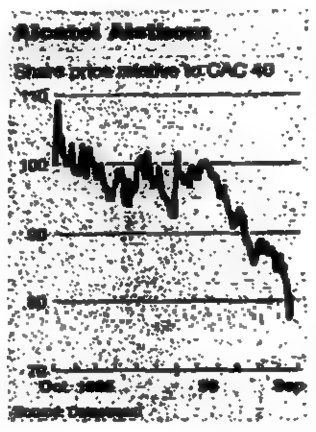
■ **Telecom Italia:** The Italian telecoms group is expected to announce a first-half pre-tax profit of L2,770bn-L2,900bn compared with L2,850 a year before. Telecom Italia said it had not yet decided which day next week it would release its first-half results.

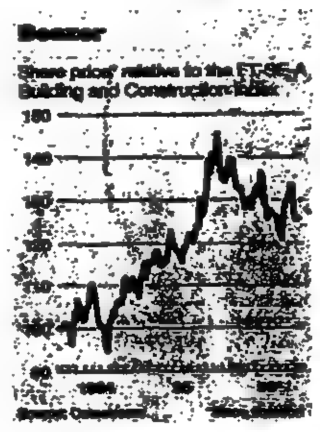
NatWest Securities telecoms analyst Mr Ian McLeod said he was expecting a first-half pre-tax profit of L2,770bn on a 7 per cent increase in revenue to L15,606bn. "My profit forecast is based on Telecom Italia's good growth in revenue, the falling cost of interest and improved labour productivity," Mr McLeod said.

Mr Lorenzo Iori, analyst at Murchio Sim, forecast a pre-tax profit of L2,870bn on sales of slightly less than L15,000bn.

■ **Inchcape:** Sir Colin Marshall, chairman of the international trading group, has tried to ensure there are no more nasty surprises for shareholders.

His warning of poor trading in the marketing business and softening demand at Bain Hogg, the insurance broker, comes despite a weaker yen, which helps sales of Toyota cars. Brokers expect first-half pre-tax profits today of £80m (£83.3m).





■ **Laura Ashley:** Interim results from the fashion retailer are expected to produce pre-tax profits of £4m-£6m, up from £3m, on Tuesday. Some analysts are predicting the reinstatement of the interim dividend.

■ **Tarmac:** The construction and building materials group reports interim results on Tuesday. The figures will include about £6.5m losses from the discontinued Tarmac homes division. The group is expected to make a £50m-£80m provision for the restructuring of the minerals and construction divisions and analysts will be looking for an indication of the cost savings arising. A final loss of about £40m-£50m, with a £7m-£20m pre-tax profit on continuing operations, compares with a £15.9m loss last time, after exceptionals of £45m. The outlook for the UK quarry division, heavily dependent on road building, will also be required.

■ **Chelsfield:** Interim results from the property company chaired by Mr Elliott Bernerd will be watched for news of progress on proposed developments at White City and Paddington, two of London's largest sites. The company is also awaiting the result of a public inquiry into its plans to extend Merry Hill Shopping Centre in Dudley, West Midlands. Analysts are expecting a modest advance in pre-tax profits from £4.3m to £4.7m and an increased interim dividend from 1.1p to 1.2p on Tuesday.

■ **Barratt Developments:** The housebuilder announces annual results on Wednesday and is expected to buck the trend by reporting a growth in pre-tax profits to about £51m (£47.1m). The group has benefited from the lower price of land bought several years ago feeding through. Thanks to its large exposure in the south, margins have been rising.

■ **Beazer:** Britain's third largest housebuilder will report full-year results on Thursday, likely to show pre-tax profits slipping from £55.7m to £46m. Like the rest of the sector, the group has run into problems with delays in the planning process and has been unable to replace sold sites with new developments as quickly as it would like.

■ **Redland:** The building group which reports on Thursday, is set to show a slump in interim pre-tax profits from £165m to about £86m after being hit by poor weather and a weak market in Germany. The outlook for the second half is more positive, as the German market regains stability and the upturn in the UK continues.

■ **Guinness:** The brewer is expected to report on Thursday a rise of about 8 per cent in interim pre-tax profits to £850m. Beer will save Guinness from backsliding, with operating profits up from £118m to £122m. The UK and Irish markets are strong, while Spain is struggling. Operating profits from spirits will slip from £257m to £250m.

Russian companies look abroad

Some of Russia's leading companies were in London and New York last week, as they tested the waters for possible forays into international capital markets.

Their attempts follow the decision by Gazprom, the Russian gas giant, to place between 1 and 2 per cent of its shares on world markets later this year in order to raise about $400m. The shares will be sold in the form of Global and American Depositary Receipts.

The companies come hot on the heels of last week's announcement by Lukoil, Russia's largest privatised oil group, of its joint venture with Arco, the US oil company, backed by a promised $5bn credit line from Arco's US parent.

Gum, Russia's largest retailer, was a favourite haunt of Communist party bosses in Soviet times, but now caters for Russia's new rich elite with Western designer brand names. It plans to raise about $120m abroad for a $192m expansion of its main store in Moscow's Red Square.

The company, with a $120m market capitalisation and $200m annual sales, already has an ADR programme through the Bank of New York, which accounts for 15 per cent of its shares. It now plans to raise about $25m of the $120m under a 144a programme, which is restricted to qualified US institutional investors.

Mr Vladimir Tiurin, a Gum adviser, said the company would approach the European Bank for Reconstruction and Development for the remaining funds, or it would draw on credit lines with western banks.

Slavneft, Russia's fourth largest oil company, with operations in Russia and in Belarus, wants to sell 15 per cent of its shares to foreign investors. About 4 per cent has already been sold to domestic investors with a further tender planned for this autumn.

A key theme echoed at the presentation last week, which was organised by Banque Paribas and United Financial Group, the Russian investment bank, was the need for reform of the Russian tax system. It is Russia's confusing and inadequate tax codes, according to Mr Charles Ryan, executive director of UFG, which are deterring investment flows into the Russian corporate sector. He said Russia needed a transparent and consistent tax system befitting a developed market economy.

Proper tax reform would also solve another of Russia's problems – its chronic budget deficit. The country's inadequate system of tax revenue collection has been unable to keep pace with the rise in government expenditure, leading to a budget deficit of 6.3 per cent of GDP in the first half of this year.

According to Mr Stuart Brown, eastern Europe economist at Paribas Capital Markets, while fiscal policy has been lax in Russia, monetary policy has had to bear the burden of reducing inflation. The result has been high real interest rates. No wonder then that several leading companies are looking abroad for capital.

Reducing the budget deficit, to reduce "crowding out" at home and allow fiscal policy to take some of the burden in controlling inflation, must therefore be a priority for the Russian government. The problem is that tax evasion and a culture of non-payment in Russian industry, will hamper efforts to improve revenue collection.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY SEPTEMBER 20 1996 US Dollar Index	% chg since 29/12/95	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 29/12/95	Gross Div. Yield	THURSDAY SEPTEMBER 19 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (78)	202.28	6.5	192.84	140.39	159.31	169.79	-0.1	4.49	202.38	193.47	139.79	159.29	170.34	212.18	179.77	189.13
Austria (24)	177.98	2.0	169.67	123.56	140.18	140.08	7.9	2.01	178.60	170.73	123.38	140.57	140.49	195.04	168.11	177.60
Belgium (27)	218.20	4.3	208.01	151.44	171.85	167.83	10.6	3.97	216.96	207.42	149.88	170.78	166.79	218.69	190.88	191.07
Brazil (28)	185.77	34.7	177.10	128.93	146.31	348.76	41.3	1.66	184.77	176.64	127.63	145.43	346.67	189.70	123.97	157.76
Canada (117)	168.43	13.5	160.57	116.90	132.65	166.91	13.8	2.16	167.65	160.27	115.80	131.96	168.45	168.49	134.14	143.84
Denmark (30)	321.85	11.4	306.81	223.37	253.48	254.93	17.1	1.80	320.51	306.21	221.25	252.12	253.84	321.85	276.89	280.80
Finland (23)	210.60	12.8	200.76	146.16	165.86	200.30	17.5	2.49	210.10	200.85	145.12	165.37	199.71	265.36	171.73	265.40
France (93)	194.52	8.4	185.43	135.00	153.20	156.66	13.8	3.10	194.08	185.54	134.08	152.76	158.88	198.39	167.70	173.68
Germany (58)	177.79	8.6	169.48	123.39	140.02	140.02	14.9	1.75	176.78	168.99	122.11	139.14	139.14	177.93	155.66	162.68
Hong Kong (58)	441.07	13.8	420.47	306.12	347.38	437.89	13.8	3.49	441.37	421.94	304.87	347.41	438.16	451.19	354.67	376.59
Indonesia (27)	207.08	–	187.36	143.88	163.05	394.52	–	1.62	206.21	196.18	141.75	161.52	292.00	–	–	–
Ireland (16)	295.47	15.6	281.67	205.06	232.71	259.75	15.6	3.45	294.08	281.13	203.13	231.47	258.57	296.00	241.27	245.17
Italy (59)	74.82	1.5	71.33	51.93	58.99	85.19	-2.5	2.53	74.59	71.30	51.52	58.70	85.00	84.53	67.22	79.72
Japan (481)	146.16	-5.7	139.33	101.44	115.11	101.44	0.4	0.75	147.79	141.28	102.08	116.33	102.08	164.88	137.75	142.78
Malaysia (107)	566.07	16.7	539.65	392.87	445.82	545.26	14.9	1.20	565.44	540.55	390.57	445.06	544.06	585.09	425.77	485.90
Mexico (19)	1263.83	22.0	1204.81	877.13	995.36	10423.66	19.5	1.29	1279.37	1223.04	883.71	1007.00	10497.26	1325.63	791.99	1174.33
Netherland (19)	299.85	9.9	285.84	208.10	236.15	232.42	16.5	3.16	298.86	285.61	206.30	235.08	231.85	304.24	251.81	264.96
New Zealand (15)	87.20	9.5	83.13	60.52	68.68	68.21	2.3	4.14	87.35	83.50	60.34	68.75	68.24	87.35	75.94	80.39
Norway (35)	253.91	9.8	242.05	176.22	199.97	223.07	12.6	2.29	252.39	241.28	174.34	198.66	221.92	256.94	222.54	233.54
Philippines (22)	208.98	–	197.90	145.84	168.00	270.64	–	0.60	206.94	197.82	142.94	162.88	270.45	–	–	–
Singapore (44)	406.42	-0.2	387.44	282.07	320.09	288.70	-0.7	1.06	409.71	391.66	283.00	322.48	285.74	465.21	381.94	382.81
South Africa (44)	350.72	-9.0	334.36	243.41	276.22	345.27	12.5	2.21	352.41	336.89	243.42	277.39	345.66	437.76	314.20	352.07
Spain (37)	177.40	7.4	169.11	123.12	139.71	171.30	12.8	3.42	176.78	169.00	122.11	139.15	170.64	183.88	146.15	153.16
Sweden (48)	373.79	19.8	356.33	259.42	294.39	366.18	19.8	2.33	371.55	355.19	256.64	292.45	364.64	375.98	294.19	313.89
Switzerland (37)	243.40	3.1	232.04	168.93	191.70	167.10	11.1	1.56	242.59	231.91	167.57	190.95	167.04	254.34	210.67	210.67
Thailand (45)	137.60	-18.2	131.17	95.50	108.37	135.55	-17.8	2.52	138.28	132.19	95.51	108.84	136.13	193.95	128.90	165.84
United Kingdom (200)	249.10	8.1	237.47	172.88	196.19	237.47	7.9	4.02	249.89	237.98	171.92	195.90	237.99	250.90	220.85	223.83
USA (623)	279.95	11.4	266.87	194.29	220.48	279.95	11.4	2.12	278.38	266.12	192.29	219.12	278.38	279.95	236.39	239.87
Americas (767)	256.00	11.8	244.04	177.67	201.62	218.27	11.8	2.11	254.69	243.40	175.87	200.41	214.12	256.00	218.17	219.46
Europe (705)	218.86	8.0	208.73	150.81	170.79	188.69	11.1	3.04	218.24	208.72	149.96	170.20	168.48	217.74	191.44	194.79
Nordic (135)	320.55	16.2	305.59	222.48	252.47	275.65	17.9	2.26	318.86	304.82	220.25	250.97	274.54	322.00	261.13	290.89
Pacific Basin (876)	160.41	-2.9	152.92	111.33	126.34	113.20	1.6	1.22	161.85	154.73	111.80	127.39	113.80	177.01	148.86	154.00
Euro-Pacific (1582)	183.80	2.1	175.21	127.56	144.75	141.68	6.0	2.11	184.38	176.26	127.36	145.13	141.98	190.57	166.51	170.90
North America (740)	273.13	11.5	260.38	189.56	215.11	272.45	11.5	2.12	271.62	259.66	187.62	213.79	270.96	273.13	230.17	233.93
Europe Ex. UK (505)	194.74	7.9	185.65	135.15	153.37	160.90	12.9	2.48	193.99	185.42	133.98	152.67	160.44	195.76	170.51	176.07
Pacific Ex. Japan (397)	289.26	9.3	275.75	200.76	227.82	249.33	6.9	2.97	289.50	276.76	199.97	227.87	249.63	296.89	243.59	259.60
World Ex. US (1791)	185.53	2.8	176.88	128.76	146.12	146.59	8.7	2.17	186.07	177.87	128.52	146.45	146.87	191.55	167.36	172.13
World Ex. UK (2214)	211.67	6.1	201.79	146.91	166.71	179.75	8.8	1.92	211.51	202.20	146.10	166.48	179.45	213.06	185.61	189.96
World Ex. Japan (1933)	251.99	10.0	240.23	174.89	198.46	238.25	11.3	2.45	250.99	239.94	173.37	197.55	237.43	251.99	217.26	220.81
The World Index (2414)	214.92	6.2	204.88	149.16	169.26	184.93	8.7	2.11	214.75	205.28	148.33	169.05	184.68	214.95	188.87	192.87

 Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 160.44 (US $ Index), 104.07 (Pound Sterling) and 149.94 (Local). Indonesia and Philippines June 28 1996 = 214.14 (US $ Index), 204.35 (Pound Sterling) and 184.40 (Local). PLEASE NOTE: A full list of constituent changes resulting from the rebalancing of the Large/Medium-Small Cap Indices is now available. All enquiries should be made to FTSE International, St Alphage House, Podium Floor, 2 Fore Street, London EC2Y 5DA (Tel: 0171 448 1810), Elliott Sturgis, Standard & Poor's, New York (Tel: 212 208 8709) or Barbara Mueller, Goldman, Sachs & Co., New York (Tel: 212 902 6777). CONSTITUENT CHANGE DURING THE WEEK ENDING 20/9/96: Deletion: Transocean (Norway).

MARKETS: This Week

NEW YORK

There is little doubt the focus of attention for the US stock and bond markets this week will be Tuesday's FOMC meeting to decide whether to push up interest rates – and there is more uncertainty about the outcome than on almost any occasion in recent memory.

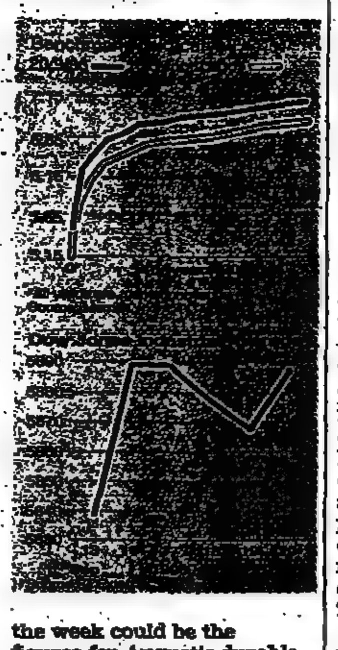
The second half started with Mr Alan Greenspan, the Federal Reserve chairman, forecasting a slowdown in economic activity.

Some statistics have supported that prediction – the consumer price index, the producer price index and implicit price deflator have remained calm – but tightness in the labour market, lengthening delivery times for factory orders and housing market strength have set alarm bells ringing.

Opinions on Wall Street are evenly divided as to whether the Fed will tighten monetary policy. If it does, economists think it will push up interest rates by 25 basis points. But that level of increase has already been priced into the bond market: so the market's reaction is likely to be dominated by considerations of whether that increase will suffice, or whether another will become necessary in November.

For that reason, the second-biggest highlight of the week could be the figures for August's durable goods orders, due on Thursday. The consensus forecast is for a small increase of 0.1 per cent after the jump of 1.7 per cent in July, so anything more could bring a sharp reaction.

Meanwhile, stocks seem to have decoupled from bonds: last week the Dow Jones index was driven to new highs by an inflow of funds. But an interest rate increase may dampen investor enthusiasm.



LONDON

Two monetary meetings will set the agenda for the UK market this week. The first involves Mr Kenneth Clarke, the chancellor, and Mr Eddie George, the governor of the Bank of England, today, and the second is the gathering of the Federal Open Market Committee in the US tomorrow.

The consensus is that there will be no change in UK rates. Many assumed that the chancellor would want to cut rates before the General Election, but the recent run of strong economic data makes this look a highly risky strategy; on the other hand, the absence of any inflationary pressure means the chancellor should be able to resist the governor if, as expected, he calls for an increase in rates.

The outcome of the Fed meeting is more of a mystery. The markets have hovered between expecting a quarter percentage point increase, a half-point rise, and no change at all. A half-point rise would be most likely to upset the markets, which have been chalking up new highs. Certainly, it would put paid to the FT-SE's chances of reaching 4,000 in the short term.

Once the interest rate news is out of the way, the market can get its teeth into the rest of the results season. This week the focus is on second liners, but Footsie stocks Guinness and Redland are reporting and there should be interest in Inchcape, Tarmac, Harrisons & Crosfield and Besser Homes figures.

Smaller groups have provided most of the shocks so far in what has been a generally positive season. It looks as if the corporate sector is starting to enjoy the benefits of a pick-up in activity.

FRANKFURT

German equities and bonds continued their strong rise last week amid continued expectations of an inflation-free recovery.

The DAX index reached a record 2,646 at the end of official trading on Friday. Bonds also had a strong week, with the 10-year December bund futures contract closing at 98.26, up more than 100 basis points over the last fortnight.

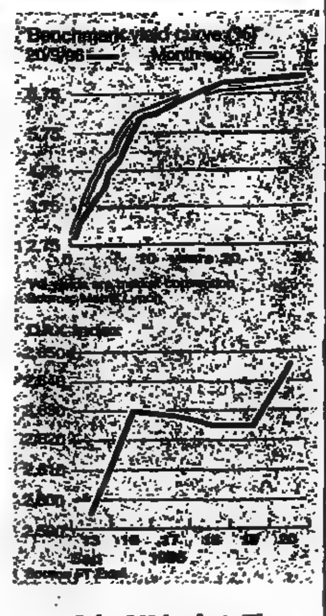
Still, the mood in Frankfurt is marked less by enthusiasm than by concern about German and US interest rates, with dealers eagerly awaiting tomorrow's meeting of the Fed's Open Market Committee.

A rise in the US would be interpreted as marking an end to a long period of low and falling interests rates, and would have a strong impact on expectations.

Some German commentators are also getting nervous about the domestic economy, after last week's release of the August M3 money supply figures, which were up by a hefty 8.7 per cent against the average of the fourth quarter of 1995.

The figures were boosted by higher private and public sector lending, and a fall in monetary capital formation because of weak demand for long-term instruments, which themselves are not part of the M3 basket. The figures triggered the usual comment that further rate cuts were now unlikely.

M3 money supply continues as the official target for monetary policy, but its significance seems to have weakened over the last year. The Bundesbank has sanctioned several rate cuts this year, even when M3 was well out of bounds, and it has signalled strongly that there is no reason to fear, or hope for, higher rates in the foreseeable future.



TOKYO By Emiko Terazono

The Bank of Japan's confirmation last week that it will maintain low short-term interest rates encouraged buying among bond market participants.

The positive sentiment is likely to continue. Cautiousness over a rise in US interest rates has started to spread, but economists do not expect a possible tightening in monetary policy in the US to affect interest rate policy in Japan.

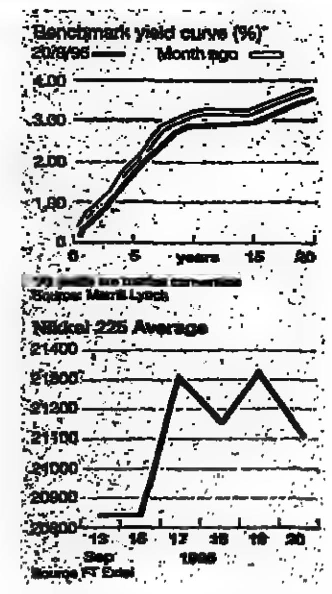
Economic data released this week are likely to provide a clearer picture of consumption in August. Department store sales data are expected to be positive, although the lingering effects of the food poisoning epidemic will continue to hurt food sales.

Chain store and retail sales are likely to be weak after the bacteria scare, says Merrill Lynch in Tokyo, but the effects are expected to be temporary, and underlying consumption is still on an upward trend, it says.

The leading indicator for July is expected to remain above 50 per cent, signalling growth ahead. CPI figures for September are likely to decline, indicating minimal inflationary pressures.

Meanwhile, although cross trading – or the selling and buying back of shares by investors looking to realise latent profits on their holdings without changing their portfolios – lifted activity on the stock market last week, actual demand remained small.

The trend is expected to continue this week, and stock market participants may choose to remain inactive ahead of the dissolution of the lower house this Friday. Campaign platforms of the leading political parties are likely to centre on deregulation and reshuffling bureaucracies.



COMMODITIES

Tin producers study market

The state of the world tin market will be discussed this week at a two-day meeting of the Association of Tin Producing Countries beginning in Singapore today.

Among the proposals the ministers will be considering is one for a further year's extension to the suspension of the group's export quota system.

The system was introduced after the collapse in 1985 of the International Tin Agreement, through which the International Tin Council had sought to "stabilise" prices by buying for and selling from its buffer stock.

Attempts to maintain tin prices at excessive levels over-strained the council's resources, however, and it was forced to give up the effort. That resulted in its substantial buffer stock holdings becoming available to the market, a collapse in prices, and the protracted suspension of tin trading on the London Metal Exchange.

The ATPC's export quota scheme was designed progressively to reduce the stocks overhanging the market so that returns could go back to a remunerative level for the producers who had not been driven out of the tin business by the 1985 price collapse. That effort was largely successful. Stocks fell, prices recovered, and tin trading was resumed at the LME. But it proved increasingly difficult to persuade producers to honour export restrictions. Quotas have been suspended for several years, without, it must be said, resulting in any substantial build-up in stocks or retreat in prices – beyond that suffered throughout the base metals sector, at any rate.

● Other events this week include the two-day Mining Engineers Convention that started yesterday in Arequipa, Peru.

In London tomorrow the Association of Mining Analysts will host a presentation by Metaleurop, one of the world's biggest lead producers. On Wednesday, South Africa's National Union of Metal Workers will hold its national congress in Johannesburg.

MILAN

Further developments in the Olivetti saga will continue to preoccupy the market, after last week's fast moving corporate manoeuvres which prompted violent swings in the share price.

Fiat will also remain under close scrutiny after Thursday's first-half results and ahead of the shareholders' meeting on Thursday which, says Mr Nicholas Potter at Credito Italiano, will be far more important as regards market shares, margins and prospects. The shares had been under pressure in the run up to last week's announcement, but they bounced 1.4 per cent on Friday when the figures proved rather better than some pessimists had feared.

On this week's corporate agenda is today's first-half figures from Edison, the energy and chemicals group. A number of brokers are keen on the stock. Among them, CS First Boston expects the group to achieve spectacular growth by capturing market share in previously protected markets, such as Italian power generation and gas transmission.

PARIS

Broker number-crunching on the budget detail, the currency markets, and a continued flow of heavyweight interim results look the most likely domestic starting points for the Paris stock market this week.

The market reacted calmly to last Wednesday's budget, which contained no unexpected shocks and allowed the Bank of France to trim its intervention rates. The corporate sector gained little from the broad measures but there were glimmers of hope for the consumer in the shape of a less onerous outlook for 1997.

In short, the government has laid the basis for a steady as she goes stock market, outside interest rate pressures and the currency markets permitting.

This week's results agenda is headed by Usinor, Lafarge, LVMH, Paribas, Peugeot and Alcatel-Alsthom. Within the announcement mix there is likely to be plenty of dull news, notably at steel leader Usinor where first-half profits could be as much as 60 per cent lower.

The Usinor numbers emerge on Tuesday. Alcatel reports on Thursday, but investors will mostly be hoping for further news about the group's ambitious bid for the Thomson group.

MADRID

The focal point in Madrid will be the Spanish budget on Friday. There is likely to be a generous health care package, but the overall deficit target looks set to emerge at about 3 per cent. None of this threatens to shake the bourse out of its narrow trading range. In the corporate sector, the main focus looks to be possible details on the placing of the government's 3 per cent stake in Gas Natural.

HONG KONG

While a note of caution may creep into Hong Kong this week ahead of the US Federal Reserve policy meeting, brokers remain bullish on the longer-term outlook, writes Louise Lucas. However, any rise in US interest rates, which stands to be imported to Hong Kong via the currency peg, would be a blow to the banking and property sectors.

Salomon Brothers, which is recommending banks and telecoms stocks in particular, reckons the upside potential for the market in the coming year will range between 10 and 15 per cent, broadly in line with anticipated earnings growth.

The broker says the earnings outlook in Hong Kong is favourable compared with other Asian markets, even though valuation indicators suggest the territory's stocks are fairly valued.

The benchmark Hang Seng Index ended last week just 5 per cent short of its all-time high of 12,201.

CURRENCIES

All eyes on Federal Reserve committee meeting

Tomorrow's meeting of the Federal Open Markets Committee will dominate the currency markets this week, on expectations of a rise in US interest rates.

The monetary policy committee last changed its Federal funds and discount rates at January's meeting, cutting both 25 basis points. The Fed funds rate is now 5.25 per cent, and the discount rate 5 per cent.

Opinions vary over the likelihood of increases tomorrow. Some market participants argue that a rise now, so close to the US election in November, risks putting an abrupt stop to Wall Street's bull run.

Others argue that the fundamentals of the US economy, especially wages, show signs of overheating, and could soon fuel increased inflation. But even those who think the FOMC will be restrained by the proximity of the election agree that rates will be increased later rather than sooner.

Assuming the Fed does raise rates, which other currencies would be affected? If, as appears to be the case, an eventual 25 basis point rise has been discounted by the markets, then only a rise bigger than that would move the dollar.

Recent research by Consensus Economics in London examined the correlation of movements between currencies. Against a basket of other currencies – the dollar, the D-Mark, the yen, sterling and the French franc – they measured the movements in G7 member countries' currencies against the dollar's movements.

The currency most synchronised was the Canadian dollar, with a rating of 0.89 (where a value of 1 represents two currencies moving together, and zero represents no relationship between the currencies).

The Italian lira, with 0.70, and sterling with 0.66 both recorded strong correlations, whereas the yen and the D-Mark showed negative reactions, meaning they were more likely to weaken if the dollar strengthened.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Service Corporation International (US)	Loewen Group (Canada)	Funeral services	$2.5bn	Renews sector activity
Allied Waste Inds (US)	Unit of Laidlaw (Canada)	Waste	$1.7bn	Cash & paper deal
Independent Newspapers (Ireland)	Wilson and Horton (NZ)	Publishing	$708m	Offer for outstanding 55%
Saint-Gobain (France)	Anchor Glass (US)	Glass	$365m	Mexico's Vitro bailing out
CGT (UK)	BDDP (France)	Advertising	$163m	Catch-up deal
Cable and Wireless (UK)	NetCom (Sweden)	Telecoms	$104m	Swap for Tele2 stake
Munder Capital Management (US)	Framlington (UK)	Financial services	$51m	Throgmorton sells its 49%
Cordiant (UK)	Saatchi & Saatchi France (France)	Advertising	$33m	Buying outstanding minority
Delphi Group (UK)	Alpine Computer Systems (US)	Computer services	$24.5m	Widening portfolio
London International Group (UK)	Franco Manufactura de Luvas (Portugal)	Rubber goods	$11m	Gloves growth

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, September 20, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7386.73	4750.00	3135.52	4326.24
Albania	(Lek)	159.312	[illegible]	71.8894	99.1021
Algeria	(Dinar)	88.3375	56.8050	37.4976	51.7373
Andorra	(French Fr)	7.9845	5.1344	3.3893	4.6764
	(Sp Peseta)	198.221	127.465	84.1409	116.094
Greece	(Drachma)	374.165	240.605	158.826	219.140
Greenland	(Danish Krone)	9.0555	5.8235	3.8443	5.3042
Grenada	(E Carib $)	4.1988	2.7000	1.7823	2.4591
Guadeloupe	(Local Fr)	7.9845	5.1344	3.3893	4.6764
Guam	(US $)	1.5551	1	0.6601	0.9108
Oman	(Rial Omani)	0.5988	0.3850	0.2541	0.3507
Pakistan	(Pak. Rupee)	57.4345	36.9330	24.3798	33.6391
Panama	(Balboa)	1.5551	1	0.6601	0.9108
Papua New Guinea	(Kina)	2.0385	1.3116	0.8657	1.1945
Paraguay	(Guarani)	3226.53	2075.00	1369.73	1889.89

[illegible]

EMERGING MARKETS By Ted Bardacke

Thai stocks in a political grip

Investors wondering whether the resignation of Thai Prime Minister Banharn Silpa-archa will help the country's stock market regain some of this year's 18.4 per cent drop might want to examine the drinking habits this past weekend of Mr Graham Catterwell, head of Thai Equities at Deutsche Morgan Grenfell.

"I've had three bottles of champagne chilling in the refrigerator, waiting for when the market will start going up," says Mr Catterwell. "When Banharn resigned, I opened one of them. The resignation is not really a solution. We're going to have a new leader but the same old coalition with the same old problems. I give the market an unconvincing 20 point gain." The SET index closed at 1,045.38 on Friday.

More than Bt25bn ($1bn) in market support funds has been raised in the past month, stemming the panic selling which gripped the stock exchange two weeks ago. Yet the Thai stock market just can't seem to shake off politics, as it has done often in the past.

With no startlingly good news likely soon from either the macroeconomic or corporate earnings front – both are slowing – investors have been looking for a confidence boost from the political arena. Analysts say they won't get it unless a strong, independent new economic cabinet is named, or elections are called.

Foreign investors used to all but ignore politics, often at the urging of newly arrived foreign analysts who didn't understand the machinations themselves. Last year, a survey of large institutional investors by the Siam Commercial Bank Research Institute showed that 80 per cent of investment decisions were based on a combination Thailand's macroeconomic performance and corporate or sectoral fundamentals. "Bits and pieces", such as politics and confidence in the country's leadership, made up the rest.

Apparently, a change in that ratio has been forced on investors. "Some of the economic downturn is cyclical but there is something else here this time," says Mr James Landi, senior vice-president of Nithipat Capital. "We've had the central bank drawn into political games, two finance ministers and now probably a third, and a prime minister who thinks the solution to rising inflation is to print more Bt10 banknotes. Unfortunately, politics is leading the way right now."

There are also fundamental reasons for the market to have fallen so far. It is trading at about 15 times projected 1996 earnings, down from just over 20 earlier this year but close to levels seen last year. Brokers have consistently revised 1996 earnings growth projections downward to about 5 per cent from 20 per cent at the beginning of the year.

Mr Landi sees earnings growth recovering in 1997 and thinks the market will be at 1,350 within a year, trading at a p/e ratio of 16.5, certainly within recent historical range.

Others see the market somewhat cheaper. Mr George Morgan, Thailand country manager at HG Asia, forecasts earnings growth at 17 per cent for 1997, meaning the market is currently trading at 13 times projected earnings. But, cautions Mr Morgan, "the market has to have faith these projections will be met".

Whether these targets will turn into reality depends largely on interest rates and the performance of Thailand's commercial banks, which account for over a quarter of market capitalisation and whose earnings in 1997 are expected to grow by about 14 per cent.

While a rate cut would help revive loan growth, there is disagreement among analysts on whether banks will be able to maintain healthy margins.

Thailand's economic troubles haven't cut off cheap overseas funding for big banks, but Moody's downgrade of Thailand's short-term debt rating earlier this month has made it more costly. Last week, Siam City Bank was forced to pay a 100 basis point spread on its $115m eurobond, compared with the 85 points originally projected.

Problem loans are also growing. Thai Farmers Bank, which has a prudent reserve policy, has warned that earnings growth may be less than 10 per cent this year, partly because of heavy provisioning.

In addition, the banks are being asked to carry the economy through this difficult period. They will pay for much of the $1.8bn bail-out of the troubled Bangkok Bank of Commerce, have put up Bt10bn for one of the stock market support funds, and are being asked to increase lending to 19 different "sunset" industries to help restore export growth.

Yet warning bells are starting to sound. Last week the International Monetary Fund said that while "according to standard indicators, the banking system in Thailand appears robust... the situation for Thai banks is likely to become more difficult."

Investors would like to focus on concerns like these, rather than on keeping up with the latest political scandal. But that won't come with a new prime minister.

"This direct link between politics and the market will continue until we have a dissolution of parliament and new elections," says Mr Catterwell.

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	20/9/96	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (431)	161.28	+1.46	+0.91	+5.23	+3.36	+13.72	+9.30
Latin America							
Argentina (22)	96.29	+1.57	+1.65	+4.19	+4.55	+3.51	+3.78
Brazil (23)	247.73	+5.45	+2.25	+6.44	+2.67	+61.63	+33.12
Chile (16)	158.60	+1.61	+0.87	-1.87	-0.99	-9.06	-4.68
Colombia (14)	170.30	+0.97	+0.57	+8.36	+5.16	+6.05	+3.68
Mexico (24)	85.15	+0.62	+0.73	+0.26	+0.32	+11.56	+15.71
Peru(13)	1169.60	-7.64	-0.67	+15.93	+1.38	+100.64	+9.42
Latin America (112)	143.43	+1.93	+1.35	+2.52	+1.79	+20.29	+16.45
Europe							
Greece (16)	117.66	+0.59	+0.53	+6.09	+5.45	+19.71	+20.12
Portugal (20)	138.39	-0.67	-0.48	+1.90	+1.39	+21.93	+18.84
Turkey (25)	104.65	+4.08	+4.02	+4.26	+4.24	+22.05	+26.63
South Africa (30)	142.67	+0.01	+0.01	+13.04	+10.05	-10.51	-6.85
Europe (134)	124.06	+0.25	+0.20	+8.58	+7.43	+2.53	+2.08
Asia							
China (24)	44.28	-0.18	-0.40	-1.46	-3.18	+3.98	+9.81
Indonesia (31)	141.57	+6.82	+5.06	+11.09	+8.50	+2.92	+2.11
Korea (23)	97.49	-3.78	-3.74	-6.85	-6.59	-39.41	-28.79
Malaysia (23)	257.39	+3.67	+1.45	+5.74	+2.28	+30.03	+13.21
Pakistan (14)	73.54	+3.31	+4.72	-1.57	-2.08	-0.05	-0.07
Philippines (14)	333.61	+5.26	+1.60	+18.96	+6.03	+74.35	+28.69
Thailand (25)	200.85	+1.50	+0.75	-0.83	-0.41	-51.04	-20.26
Taiwan (31)	178.84	-0.89	-0.50	+11.05	+6.58	+48.02	+36.70
Asia (195)	216.47	+1.81	+0.84	+6.16	+2.93	+18.42	+6.61

All indices in $ terms, January 7th 1988=100. Source: ING Baring Securities.

INTERNATIONAL BONDS

Manila looks to enliven peso debt issuance

The Philippine government will tomorrow issue the first 10-year peso-denominated debt in Manila, in an exercise it hopes will boost private sector interest in the anaemic peso debt market. The move, which follows issuance of the first seven-year peso bond earlier this year, is also designed to extend the yield curve for reluctant corporate issuers in the Philippines.

With just 45bn pesos ($1.72bn) in outstanding corporate debt in the Philippines, compared with 560bn pesos in government debt, the mismatch is considered wide. More significantly, the gulf between the volume of local peso offerings and debt issued in dollars overseas by Philippine companies continues to widen.

So far this year, 26 Philippine companies have tapped the Yankee and eurobond markets with $2.45bn in offerings, of which almost half are floating-rate certificates of deposit (FRCD) issued by Philippine banks. The growth of interest in Philippine dollar debt over the past two years – boosted by a series of well-received "pseudo-sovereign" issues from government bodies such as the National Power Corporation – has been accompanied by a corresponding tightening of spreads.

The Philippine Long Distance Telephone Company's (PLDT) recent $300m eurobond was offered at 240 basis points over Libor on the 10-year tranche and 175 points above on the seven-year tranche. This compares with 360 basis points over Libor for equivalent PLDT issues two years ago. The company plans to exploit this with a follow-up $200m–$250m offering in the next six months.

"Our dollar debt is continually tightening," said Mr Edgardo Delfonso, head of finance at PLDT. "In 1994 it was mainly the high-yielding funds which showed interest in PLDT's debt. Now we are attracting more conservative investors."

Others, including J.G. Summit, a local holding group, which is to issue $200m in eurobonds next month in a debut arranged by ING Barings, are planning to follow PLDT's lead. Metrobank, the country's largest, which last week launched its first five-year FRCD with $100m at 95 basis points over Libor, says it prefers international markets to Manila's underdeveloped secondary debt market. Few, in other words, are showing any excitement over the government's debut 10-year T-bill offering.

"Foreign investors are not yet investing in the Philippine debt market and there's no secondary debt market to speak of," said Mr Benjo Arcinas, head of treasury at Metrobank. "We would like to tap the peso market more often but, apart from the market for T-bills, it is still too illiquid."

Analysts say plans to issue the country's first euro-peso bond later this year could indirectly spur interest in the local peso debt market. The corporate issue, being drawn up by ING Barings, has yet to receive government approval.

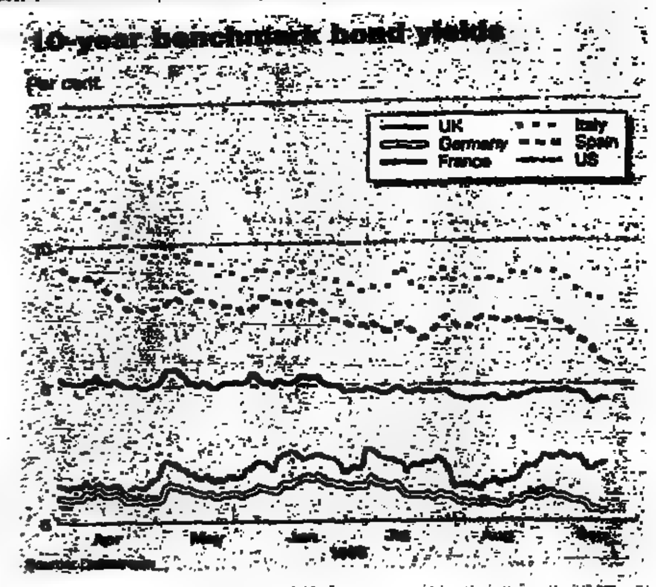
Once it has the green light, however, investors will be able to bet on the Philippine currency without incurring the 20 per cent withholding tax on locally-traded debt. Unlike with peso debt, investors will be able to short-sell the euro-peso bonds on the secondary debt market. Short selling – where dealers effectively sell bonds they do not own – is still illegal in the Philippines.

"The country's first euro-peso offering will be seen as a watershed," said Ms Zondy Garcia, vice-president of ING Barings investment banking in the Philippines. "Hopefully, it will show that foreign investors have enough confidence in the Philippines to take risks with the currency."

Foreign investors will also be able to take risks with longer-dated Philippine debt once trading begins in the country's 15-year floating and 20-year fixed-income bonds this week. The sovereign debt, which has been offered in exchange for up to $1.9bn in Philippine Brady bonds, will be the longest maturity Philippine paper on the market. Philippine officials say the Brady exchange – also intended to rid the country of the stigma of having debt collateralised by US Treasuries – will provide a benchmark for Philippine blue chip issues overseas. Companies like PLDT, however, say shorter benchmarks already exist in the form of 10-year pseudo-sovereign bonds.

"The Brady initiative is innovative and it has served to focus attention on the Philippines," said Mr Delfonso of PLDT. "But until the Philippines has investment grade status we do not want to lock ourselves into non-investment grade 15 or 20-year debt issues."

With a Moody's Investors Service rating of Ba2, the Philippines is still two notches shy of investment grade. This is expected to improve if it enacts the crucial tax reform bill later this year. Until then, the 10-year corporate bond will probably remain the ceiling.



BENCHMARK RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	4.75	8.25	5.75
Overnight	5.13	0.50	2.94	3.40	8.12	[illegible]
Three month	5.29	0.26	3.00	[illegible]	8.14	[illegible]
One year	5.85	0.62	3.19	[illegible]	7.98	[illegible]
Five year	6.62	1.77	4.94	[illegible]	8.44	[illegible]
Ten year	6.85	2.85	6.14	6.18	9.02	7.77

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Adams Cojk§	100	Oct 2000	3.50	100.00	-	-	Nomura International
[illegible]	50	Oct 1998	3.25	100.00	-	-	Yamaichi Intl(Europe)
United Mexican States	1bn	Sep 2016	[illegible]	98.945R	11.81	[illegible]	Goldman/Merrill Lynch
[illegible]	125	Undated	(n1)	99.875R	-	-	JP Morgan Securities
[illegible]	100	Mar 2001	(h1)	98.95	-	-	Chase Manhattan Intl
Ford Motor Credit Co	1bn	Sep 2001	[illegible]	99.502R	7.699	[illegible]	Goldman Sachs & Co
Metropolis of Tokyo	250	Oct 2006	7.125	99.85R	7.3	[illegible]	[illegible]
Bayer Corporation	250	Oct 2001	6.75	99.745R	6.	[illegible]	[illegible]
SSLT 96-4, Cls A1(a)§	967.3	Jul 2001	(k2)	100.00R	-	-	[illegible]
SSLT 96-4, Cls A2(a)§	485	Jul 2005	(k4)	100.00R	-	-	[illegible]
[illegible]	250	Dec 1998	6.375	99.755R	6.	[illegible]	[illegible]
Siam City Bank	115	Sep 2001	7.375§	99.474R	7.	[illegible]	[illegible]
Republic of Uruguay	100	Sep 2006	8.375§	99.573R	8.	[illegible]	[illegible]
[illegible]	100	Oct 2004	[illegible]	99.505R	1.	[illegible]	[illegible]
PCI Bank	100	Sep 2001	7.75§	99.902R	7.	[illegible]	[illegible]
United Kingdom	2bn	Oct 2001	(n1)	99.75R	-	-	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-MARKS							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWISS FRANCS							
[illegible]	150	Oct 2006	4.50	102.15	4.232	-	Credit Suisse
Province of Buenos Aires	150	Oct 2003	7.75	101.625	7.444	-	Credit Suisse
Rabobank(j)	100	Dec 2003	3.75	102.25	3.394	-	Merrill Lynch
Japan Fin. Corp for Municipal Entrp	150	Oct 2006	4.38	101.20	-	-	UBS Intl/Cred Suisse
STERLING							
Abbey Natl Trsy Services	200	Dec 2003	7.75	99.9728	7.763	[illegible]	Goldman Sachs Intl
[illegible]	75	Jul 2007	(n1)	100.00	-	-	Salomon Brothers
GUILDERS							
GECC(j)	200	Dec 2001	5.50	99.61R	5.681	[illegible]	ING Barings
LW Rabobank	250	Dec 2001	6.125	99.66R	5.781	11(2001DSL)	Rabobank
FRENCH FRANCS							
Electrabel	1bn	Oct 2004	6.50	99.94R	6.510	52(4% OAT)	BNP
LUXEMBOURG FRANCS							
Bank Austria	3.5bn	Dec 2005	zero	59.65	6.080	-	Crédit-Européen-BBL
Credit Local de France	2bn	Dec 2004	6.125	102.30	5.76	-	Banque Intl. Lux
ITALIAN LIRE							
World Bank(q)	500bn	Oct 2011	zero	27.35R	9.029	-	BCI/JP Morgan Sasa
Deutsche Finance (Nethe)	1000bn	Oct 2021	zero	11.5808R	9.002	-	Deutsche Morgan G'fell
[illegible]	[illegible]	Oct 2001	[illegible]	[illegible]	[illegible]	-	[illegible]
World Bank(q)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]
AUSTRALIAN DOLLARS							
[illegible]	125	Oct 2001	5.00	99.22	-	-	[illegible]
CZECH CROWNS							
EBRD	1bn	Oct 1999	11.00	101.14	11.07	-	[illegible]
PESETAS							
[illegible]	[illegible]	Mar 2006	zero	100.00	-	-	[illegible]
World Bank	10bn	Oct 2001	7.20	100.63	7.049	-	[illegible]
L-Bank	10bn	Oct 2001	7.25	100.77	7.061	-	[illegible]
DANISH KRONER							
World Bank	400	Mar 2003	8.38	101.54	-	-	[illegible]
FINNISH MARKKA							
[illegible]	775	Mar 2024	[illegible]	100.00R	-	-	[illegible]
[illegible]	575	Mar 2024	[illegible]	100.00R	-	-	[illegible]
NEW ZEALAND DOLLARS							
[illegible]	100	Oct 1998	8.00	100.70	7.560	-	[illegible]

... Fungible with STG125m. Callable at par on 22/07/04. A1) 3-mth Libor +37½bp to 7/04, 187.5bp thereafter. Note: Yields are calculated on ISMA basis.

مكنزا من الاصل

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Sep 20		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.5753	+0.0548	660 - 846	16.5923	16.5236	16.544	2.3	16.469	2.6	-	-	104.9
Belgium	(BFr)	48.5036	+0.1636	600 - 472	48.5480	48.3230	48.4088	2.4	48.2186	2.4	47.4495	2.2	106.8
Denmark	(DKr)	9.0586	+0.0201	527 - 605	9.0674	9.0405	9.0428	1.8	9.0225	1.5	8.9147	1.6	107.6
Finland	(FM)	7.0477	+0.0232	420 - 534	7.0630	7.0210	7.0433	0.7	7.0352	0.7	-	-	86.4
France	(FFr)	7.9845	-0.0074	814 - 876	8.0037	7.9711	7.9703	2.1	7.9466	1.9	7.8394	1.8	108.5
Germany	(DM)	2.3558	+0.0078	546 - 569	2.3596	2.3468	2.3509	2.5	2.3412	2.5	2.299	2.4	106.3
Greece	(Dr)	374.165	+0.581	983 - 347	378.367	373.473	-	-	-	-	-	-	67.2
Ireland	(I£)	0.9703	+0.0025	696 - 710	0.9716	0.9664	0.9698	0.6	0.9686	0.7	0.9641	0.6	99.8
Italy	(L)	2370.36	+3.96	847 - 165	2374.07	2365.60	2376.11	-2.8	2385.96	-2.5	2418.46	-2.0	76.9
Luxembourg	(LFr)	48.5036	+0.1636	600 - 472	48.5480	48.3230	48.4088	2.4	48.2186	2.4	47.4495	2.2	106.8
Netherlands	(Fl)	2.6411	+0.0083	395 - 426	2.6446	2.6327	2.635	2.8	2.623	2.7	2.5763	2.5	106.7
Norway	(NKr)	10.0654	+0.019	605 - 703	10.0823	10.0215	10.0569	1.0	10.0396	1.0	9.9564	1.1	98.6
Portugal	(Es)	240.154	+0.78	015 - 294	240.294	239.382	240.579	-2.1	241.484	-2.2	-	-	95.5
Spain	(Pta)	198.221	+0.627	115 - 326	198.334	197.869	198.481	-1.6	198.996	-1.6	200.396	-1.1	80.6
Sweden	(SKr)	10.2904	+0.0093	819 - 988	10.3004	10.2624	10.2907	0.0	10.2906	0.0	10.2886	0.0	90.1
Switzerland	(SFr)	1.9282	-0.0005	269 - 294	1.9349	1.9208	1.9232	3.1	1.9128	3.3	1.8642	3.3	111.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	86.1
Ecu	-	1.2404	+0.0019	398 - 409	1.2427	1.2386	1.2391	1.3	1.2361	1.4	1.2228	1.4	-
SDR†	-	1.07699	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5544	+0.0036	538 - 545	1.5582	1.5502	-	-	-	-	-	-	-
Brazil	(R$)	1.5860	+0.0052	855 - 865	1.5895	1.5800	-	-	-	-	-	-	-
Canada	(C$)	2.1281	+0.0018	271 - 290	2.1297	2.1244	2.1274	0.4	2.1257	0.6	2.1157	0.6	84.2
Mexico	(New Peso)	11.7308	+0.0925	240 - 376	11.7380	11.6745	-	-	-	-	-	-	-
USA	($)	1.5551	+0.0045	547 - 555	1.5592	1.5504	1.5547	0.3	1.5544	0.2	1.5569	-0.1	97.1
Pacific/Middle East/Africa													
Australia	(A$)	1.9627	-0.0001	615 - 636	1.9686	1.9582	1.9652	-1.6	1.9703	-1.5	1.9955	-1.7	85.8
Hong Kong	(HK$)	12.0253	+0.0336	214 - 291	12.0333	11.9892	12.0172	0.8	12.0056	0.7	11.9859	0.3	-
India	(Rs)	55.5172	+0.1516	918 - 425	55.8490	55.1910	-	-	-	-	-	-	-
Israel	(Shk)	4.9353	+0.0185	301 - 404	4.9409	4.9236	-	-	-	-	-	-	-
Japan	(Y)	170.742	+1.273	644 - 841	170.970	169.980	170.017	5.1	168.527	5.2	162.172	5.1	132.8
Malaysia	(M$)	3.8893	+0.0148	875 - 911	3.8913	3.8749	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2237	+0.009	220 - 253	2.2255	2.2120	2.2287	-2.7	2.2382	-2.6	2.272	-2.2	110.0
Philippines	(Peso)	40.8058	+0.1347	331 - 785	40.8785	40.7324	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8326	+0.0165	307 - 345	5.8550	5.8156	-	-	-	-	-	-	-
Singapore	(S$)	2.1896	+0.0067	882 - 909	2.1911	2.1839	-	-	-	-	-	-	-
South Africa	(R)	7.0042	+0.0447	000 - 085	7.0085	6.9729	-	-	-	-	-	-	-
South Korea	(Won)	1275.42	-2.71	501 - 582	1279.84	1272.95	-	-	-	-	-	-	-
Taiwan	(T$)	42.7653	+0.1169	387 - 918	42.7920	42.6356	-	-	-	-	-	-	-
Thailand	(Bt)	39.4724	+0.1351	583 - 864	39.4570	39.3650	-	-	-	-	-	-	-

† Rates for Sep 19. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 20		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.6587	+0.006	554 - 619	10.6880	10.6275	10.6392	2.2	10.5972	2.3	10.4137	2.3	104.5
Belgium	(BFr)	31.1900	+0.02	700 - 100	31.2620	31.1000	31.135	2.1	31.0275	2.1	30.525	2.1	106.4
Denmark	(DKr)	5.8238	-0.003	228 - 248	5.8396	5.8188	5.8165	1.5	5.7993	1.7	5.7303	1.6	106.9
Finland	(FM)	4.5320	+0.0026	295 - 345	4.5525	4.5219	4.5255	1.7	4.5105	1.6	4.466	1.4	84.9
France	(FFr)	5.1344	-0.0108	337 - 351	5.1697	5.1280	5.1269	1.8	5.1130	1.7	5.0439	1.8	108.0
Germany	(DM)	1.5149	+0.0008	145 - 152	1.5190	1.5110	1.5122	2.1	1.5084	2.2	1.4791	2.4	107.8
Greece	(Dr)	240.605	-0.285	550 - 660	242.370	240.160	242.28	-8.4	245.83	-8.4	259.605	-7.9	66.8
Ireland	(I£)	1.6027	+0.0001	020 - 034	1.6070	1.6000	1.6033	-0.4	1.6041	-0.4	1.5967	0.4	-
Italy	(L)	1524.36	-1.62	407 - 459	1528.91	1520.11	1529.13	-3.7	1537.28	-3.4	1560.03	-2.3	78.5
Luxembourg	(LFr)	31.1900	+0.02	700 - 100	31.2620	31.1000	31.135	2.1	31.0275	2.1	30.525	2.1	106.4
Netherlands	(Fl)	1.6983	+0.001	978 - 988	1.7037	1.6933	1.6949	2.4	1.6878	2.5	1.6561	2.5	106.3
Norway	(NKr)	6.4725	-0.0055	710 - 740	6.4983	6.4435	6.4695	0.5	6.464	0.5	6.4275	0.7	97.6
Portugal	(Es)	154.430	+0.08	380 - 480	154.650	154.210	154.745	-2.4	155.335	-2.3	157.48	-2.0	95.6
Spain	(Pta)	127.465	+0.055	430 - 500	127.700	127.300	127.715	-2.4	128.145	-2.1	129.685	-1.7	80.4
Sweden	(SKr)	6.6172	-0.0121	134 - 209	6.6333	6.6052	6.6163	0.2	6.6187	-0.1	6.5937	0.4	89.4
Switzerland	(SFr)	1.2399	-0.0037	394 - 404	1.2465	1.2384	1.2364	3.4	1.2293	3.5	1.1954	3.6	110.6
UK	(£)	1.5551	+0.0042	547 - 555	1.5592	1.5504	1.5547	0.3	1.5544	0.2	1.5569	-0.1	85.5
Ecu	-	1.2538	+0.0015	535 - 540	1.2585	1.2486	1.2546	-0.7	1.2562	-0.8	1.2651	-0.9	-
SDR†	-	0.69062	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9996	-0.0004	995 - 996	0.9998	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	1.0199	+0.0006	198 - 199	1.0199	1.0195	-	-	-	-	-	-	-
Canada	(C$)	1.3685	-0.0026	682 - 687	1.3703	1.3682	1.3683	0.1	1.3686	0.0	1.3714	-0.2	83.3
Mexico	(New Peso)	7.5435	-0.038	410 - 460	7.5460	7.5380	7.705	-25.7	7.89	-18.4	9.6535	-28.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.9
Pacific/Middle East/Africa													
Australia	(A$)	1.2620	-0.0038	617 - 626	1.2650	1.2617	1.264	-1.9	1.2675	-1.7	1.2862	-1.9	94.8
Hong Kong	(HK$)	7.7328	+0.0004	323 - 333	7.7333	7.7323	7.7335	-0.1	7.7353	-0.1	7.7623	-0.4	-
India	(Rs)	35.7000	-	000 - 000	35.9020	35.5000	35.85	-5.0	36.155	-5.1	37.625	-5.4	-
Israel	(Shk)	3.1736	+0.0019	711 - 761	3.1766	3.1703	-	-	-	-	-	-	-
Japan	(Y)	109.795	+0.92	760 - 830	109.940	109.470	109.35	4.9	108.45	4.9	104.71	4.6	138.9
Malaysia	(M$)	2.5010	+0.0027	005 - 015	2.5022	2.4985	2.5019	-0.4	2.508	-1.1	2.5315	-1.2	-
New Zealand	(NZ$)	1.4298	+0.0010	290 - 305	1.4307	1.4267	1.4329	-2.6	1.4387	-2.5	1.4633	-2.3	-
Philippines	(Peso)	26.2400	+0.015	000 - 800	26.2800	26.2000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	+0.0004	504 - 509	3.7509	3.7504	3.7511	-0.1	3.7519	-0.1	3.7552	-0.1	-
Singapore	(S$)	1.4080	+0.0005	075 - 085	1.4086	1.4075	1.4044	3.0	1.3984	2.7	1.373	2.5	-
South Africa	(R)	4.5040	+0.0165	025 - 055	4.5080	4.4875	4.5515	-12.7	4.6418	-12.2	4.979	-10.5	-
South Korea	(Won)	820.150	-4	100 - 200	824.800	820.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.5000	-	900 - 100	27.5100	27.4870	27.505	-0.2	27.51	-0.1	-	-	-
Thailand	(Bt)	25.3825	+0.0175	800 - 850	25.3900	25.3750	25.49	-5.1	25.66	-4.4	26.2875	-3.6	-

† SDR rate per $ for Sep 19. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 19: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

September 20	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3¼	3⅛	3⅛	3¼	6.00	2.50	-
week ago	3¼	3¼	3⅛	3¼	3⅜	6.00	2.50	-
France	3¼	3½	3¼	3⅜	3⅜	3.35	-	4.75
week ago	3⅝	3⅝	3⅝	3⅝	3⅝	3.35	-	4.75
Germany	3	3¼	2⅞	3¼	3¼	4.50	2.50	3.00
week ago	3¼	3¼	3¼	3¼	3¼	4.50	2.50	3.00
Ireland	5½	5⅝	5⅞	5⅝	6¼	-	-	6.25
week ago	5½	5⅝	5⅞	5⅞	6	-	-	6.25
Italy	8¼	8¼	8¼	8¼	7⅞	-	8.25	8.50
week ago	8⅝	8¼	8⅜	8⅛	8⅛	-	8.25	8.39
Netherlands	2⅝	2⅞	2⅝	2⅞	3	-	3.00	3.30
week ago	2⅞	2⅞	2⅝	2⅞	3¼	-	3.00	3.30
Switzerland	1⅝	1⅝	1⅞	1⅝	1⅞	-	1.50	-
week ago	1¼	1⅝	1⅞	2	2⅞	-	1.50	-
US	5¼	5⅝	5¼	5⅝	6¼	-	5.00	-
week ago	5¼	5⅝	5½	5⅞	6⅛	-	5.00	-
Japan	¼	½	⅜	⅜	⅝	-	0.50	-
week ago	⅜	½	⅜	½	⅜	-	0.50	-
$ LIBOR FT London								
Interbank Fixing	-	5½	5⅝	5⅞	6⅛	-	-	-
week ago	-	5½	5⅝	5⅞	6¼	-	-	-
US Dollar CDs	-	5.16	5.30	5.46	5.78	-	-	-
week ago	-	5.18	5.30	5.45	5.77	-	-	-
ECU Linked Ds	-	4¼	4¼	4¼	4⅜	-	-	-
week ago	-	4¼	4¼	4⅜	4⅜	-	-	-
SDR Linked Ds	-	3¼	3¼	3⅜	3⅝	-	-	-
week ago	-	3¼	3¼	3⅜	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 20	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅛ - 3	3⅛ - 2⅞	3⅛ - 3	3¼ - 3⅛	3¼ - 3⅛	3⅜ - 3¼
Danish Krone	3⅞ - 3⅝	3⅞ - 3⅝	3¾ - 3⅝	3⅞ - 3⅝	3⅞ - 3¾	4⅛ - 3⅞
D-Mark	3⅛ - 2⅞	3⅛ - 3	3⅛ - 2⅞	3⅛ - 2⅞	3⅛ - 2⅞	3⅜ - 3¼
Dutch Guilder	2⅞ - 2⅝	2⅞ - 2¾	2⅞ - 2¾	2⅞ - 2¾	2⅞ - 2¾	3⅛ - 2⅞
French Franc	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3⅝ - 3½	3⅝ - 3½	3⅞ - 3¾
Portuguese Esc.	7⅛ - 7	7⅛ - 7⅛	7⅛ - 7⅛	7⅛ - 7⅛	7⅛ - 7⅛	7⅛ - 7⅛
Spanish Peseta	7⅜ - 7⅛	7⅜ - 7¼	7⅛ - 7⅛	7⅛ - 6⅞	7 - 6⅞	7 - 6⅞
Sterling	5⅞ - 5⅝	5⅞ - 5⅝	5⅞ - 5⅞	5⅞ - 5¾	5⅞ - 5⅞	6⅛ - 6⅛
Swiss Franc	1⅞ - 1⅜	1⅞ - 1⅜	1⅞ - 1⅞	1⅞ - 1⅞	1⅞ - 1⅞	2⅛ - 1⅞
Can. Dollar	4⅛ - 3⅞	4⅛ - 3⅞	4⅛ - 3⅞	4⅛ - 3⅞	4⅛ - 4⅛	4⅞ - 4⅝
US Dollar	5¼ - 5	5¼ - 5	5½ - 5¼	5⅝ - 5½	5⅞ - 5⅞	6⅛ - 5⅞
Italian Lira	8⅞ - 7⅞	8⅞ - 8⅛	8¼ - 8⅛	8 - 8⅛	8¼ - 8⅛	8⅛ - 8
Yen	½ - ⅜	⅝ - ⅜	⅝ - ⅜	⅝ - ⅜	½ - ⅜	⅝ - ⅝
Asian $Sing	3⅛ - 3	2⅞ - 2⅞	3⅛ - 2⅞	3⅛ - 3	3⅛ - 3⅛	3⅜ - 3¼

Short term rates are call for the US Dollar and Yen, others: two days' notice.

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.08	94.06	-	94.07	94.04	100,380	478,391
Mar	93.89	93.89	+0.01	93.92	93.87	131,326	347,299
Jun	93.70	93.72	+0.02	93.74	93.69	53,491	261,242

US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.83	94.83	-0.01	94.84	94.83	48	4,079
Mar	94.43	94.44	-0.01	94.45	94.43	179	1,611
Jun	-	94.26	-	-	-	10	15

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 20		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.67	16.46	4.856	2.000	4869	5.445	20.76	495.3	408.7	21.22	3.975	2.062	4.386	3.206	352.0	2.567
Denmark	(DKr)	53.55	10	8.816	2.601	1.071	2618	2.916	11.12	265.2	218.8	11.36	2.129	1.104	2.350	1.717	188.5	1.369
France	(FFr)	60.74	11.34	10	2.951	1.215	2969	3.307	12.61	300.8	248.2	12.89	2.415	1.252	2.665	1.947	213.8	1.553
Germany	(DM)	20.59	3.844	3.389	1	0.412	1006	1.121	4.274	102.0	84.13	4.368	0.818	0.424	0.903	0.660	72.45	0.526
Ireland	(I£)	50.00	9.337	8.232	2.429	1	2444	2.723	10.38	247.6	204.3	10.61	1.988	1.031	2.194	1.603	176.0	1.278
Italy	(L)	2.046	0.382	0.337	0.099	0.041	100.	0.111	0.425	10.13	8.359	0.434	0.081	0.042	0.090	0.066	7.199	0.052
Netherlands	(Fl)	18.36	3.429	3.023	0.892	0.367	897.5	1	3.813	90.95	75.05	3.896	0.730	0.379	0.806	0.589	64.63	0.470
Norway	(NKr)	48.16	8.994	7.929	2.340	0.963	2355	2.623	10	238.5	196.8	10.22	1.915	0.993	2.113	1.544	169.5	1.231
Portugal	(Es)	20.19	3.771	3.324	0.981	0.404	987.1	1.100	4.192	100.	82.51	4.284	0.803	0.416	0.886	0.647	71.07	0.516
Spain	(Pta)	24.47	4.570	4.029	1.189	0.489	1196	1.332	5.081	121.2	100.	5.192	0.973	0.505	1.074	0.785	86.13	0.626
Sweden	(SKr)	47.13	8.802	7.760	2.290	0.943	2304	2.567	9.786	233.4	192.6	10	1.874	0.972	2.068	1.511	165.9	1.205
Switzerland	(SFr)	25.15	4.696	4.140	1.222	0.503	1230	1.370	5.223	124.6	102.8	5.337	1	0.519	1.104	0.807	88.54	0.643
UK	(£)	48.50	9.057	7.985	2.356	0.970	2371	2.641	10.07	240.2	198.2	10.29	1.928	1	2.128	1.555	170.7	1.240
Canada	(C$)	22.79	4.256	3.752	1.107	0.456	1114	1.241	4.732	112.9	93.14	4.836	0.906	0.470	1	0.731	80.22	0.583
US	($)	31.19	5.824	5.135	1.515	0.624	1525	1.698	6.476	154.5	127.5	6.617	1.240	0.643	1.368	1	109.8	0.797
Japan	(Y)	28.41	5.305	4.676	1.380	0.568	1389	1.547	5.899	140.7	116.1	6.028	1.129	0.586	1.247	0.911	100.	0.726
Ecu		39.11	7.304	6.440	1.900	0.782	1912	2.130	8.121	193.7	159.8	8.298	1.555	0.806	1.716	1.254	137.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Dec	0.6646	0.6635	-0.001	0.6655	0.6621	20,007	58,818
Mar	0.6678	0.6662	-0.0009	0.6687	0.6678	14	1,180
Jun	-	0.6729	-0.0007	-	-	1	112

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Dec	0.8120	0.8141	+0.0024	0.8151	0.8095	11,360	27,522
Mar	0.8208	0.8221	+0.0025	0.8225	0.8208	219	1,273
Jun	-	0.8302	+0.0025	0.8350	0.8300	80	55

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Dec	0.9250	0.9205	-0.0045	0.9254	0.9196	18,181	86,016
Mar	0.9340	0.9331	-0.0046	0.9340	0.9330	67	1,908
Jun	-	0.9457	-0.0047	-	-	2	197

STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Dec	1.5532	1.5548	+0.0026	1.5560	1.5500	17,909	38,000
Mar	1.5550	1.5552	+0.0026	1.5550	1.5550	7	74
Jun	-	1.5558	+0.0026	1.5560	-	4	2

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
1.540	1.68	2.08	2.38	0.17	0.59	0.89
1.550	0.98	1.46	1.79	0.48	0.97	1.28
1.560	0.47	0.85	1.29	0.98	1.47	1.85
1.570	0.17	0.60	0.90	1.66	2.10	2.38
1.580	0.15	0.33	0.60	2.61	-	3.03

Previous day's vol., Calls 3,181 Puts 6,058 . Prev. day's open int., Calls 131,089 Puts 103,362

Pound in New York

Sep 20	— Close —	— Prev. close —
£ spot	1.5555	1.5525
1 mth	1.5552	1.5524
3 mth	1.5550	1.5522
1 yr	1.5555	1.5525

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

BANK RETURN

BANKING DEPARTMENT	Wednesday September 18, 1996 £	Increase or decrease for week £
Liabilities		
Capital	14,553,000	
Public deposits	1,120,470,818	-128,000,349
Bankers deposits	1,839,597,906	-7,858,176
Reserve and other accounts	3,575,017,566	+217,952,863
	6,549,639,290	+82,096,339
Assets		
Government securities	1,267,674,405	-240,495,000
Advance and other accounts	2,638,420,391	+419,196,452
Premise, equipment and other secs	2,638,307,306	-95,723,749
Notes	5,127,701	-857,929
Coin	109,487	-23,436
	6,549,639,290	+82,096,339
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	20,764,872,299	-19,142,071
Notes in Banking Department	5,127,701	-857,929
	20,770,000,000	-20,000,000
Assets		
Other Government securities	17,657,594,804	+2,192,071,351
Other Securities	3,112,405,196	-2,212,071,351
	20,770,000,000	-20,000,000

UK INTEREST RATES

LONDON MONEY RATES

Sep 20	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5⅞ - 5	5⅞ - 5⅝	5⅞ - 5⅝	5¾ - 5⅝	5⅞ - 5⅞	6⅛ - 6⅛
Sterling CDs	-	-	5⅝ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝	6⅛ - 5⅞
Treasury Bills	-	-	5⅝ - 5⅝	5⅝ - 5⅝	-	-
Bank Bills	-	-	5⅝ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝	-
Local authority deps.	5⅝ - 5½	5⅝ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝	6⅛ - 5⅞
Discount Market deps	5⅝ - 5⅝	5⅝ - 5⅝	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4½

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Sep 20, 5.5432pc. ECGD fixed rate Stlg. Export Finance. Make up day Aug 30, 1996. Agreed rate for period Sep 25, 1996 to Oct 25, 1996, Schemes II & III 7.07pc. Reference rate for period Aug 1, 1996 to Aug 30, 1996, Schemes IV & V 5.625pc. Finance House Base Rate 6pc from Sep 1, 1996

BANK OF ENGLAND TREASURY BILL TENDER

	Sep 20	Sep 13		Sep 20	Sep 13
Bills on offer	£400m	£400m	Top accepted rate	5.5552%	5.5151%
Total of applications	£1807m	£1845m	Ave. rate of discount	5.5432%	5.5142%
Total allocated	£400m	£400m	Average yield	5.6209%	5.5910%
Min. accepted bid	£98.615	£98.625	Offer at next tender	£400m	£400m
Allotment at min. level	60%	81%	Min. accept. bid 99 days	£98.595	-

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75	NatWestminster	5.75
Allied Trust Bank	5.75	Duncan Lawrie	5.75	●Rea Brothers	5.75
AIB Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
●Henry Ansbacher	5.75	Financial & Gen Bank	7.00	●Singer & Friedlander	5.75
Bank of Baroda	5.75	●Robert Fleming & Co	5.75	●Smith & Williamson Secs	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	Scottish Widows Bank	5.75
Bank of Cyprus	5.75	●Guinness Mahon	5.75	TSB	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	United Bank of Kuwait	5.75
Bank of India	5.75	●Hambros Bank	5.75	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Western Trust	5.75
Barclays Bank	5.75	●Hill Samuel	5.75	Whiteaway Laidlaw	5.75
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Yorkshire Bank	5.75
●Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75		
Citibank NA	5.75	Julian Hodge Bank	5.75	● Members of London Investment Banking Association	
Clydesdale Bank	5.75	●Leopold Joseph & Sons	5.75	* In administration	
The Co-operative Bank	5.75	Lloyds Bank	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	*Mount Credit Corp	6.00		

FT GOLD MINES INDEX

	Sep 20	% chg since 29/12/95	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (38)	1985.89	+0.6	59.39	100.00	1.85	-	2620.73	1722.86
Regional Indices								
Africa (13)	3071.36	+2.8	13.78	27.40	3.12	38.15	3553.86	2272.74
Australasia (11)	2060.23	-13.0	5.50	10.93	2.70	20.10	2927.34	2060.23
North America (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Copyright, The Financial Times Limited 1996. "FT Gold Mines Index" is a trade mark of The Financial Times Limited. Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
[illegible]											
-	F.P.	0.36	6	3	Pacificanche Wts	6	-	-	-	-	-
§95	F.P.	12.1	70½	69½	†Polydoc	70½	-	-	-	-	-
*	F.P.	218.6	244	227¼	Regent Kingpin	227¼	-½	-	-	-	-
*	F.P.	2.18	23½	23	Regent K'pin Wts	23	-	-	-	-	-
§100	F.P.	82.0	96	90¼	Schroder Em Cos	94	-	-	-	-	-
§	F.P.	8.80	40	31	Schroder Em Wts	39	-	-	-	-	-
§66	F.P.	13.3	70	68	†Selector	68	-	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1996 High	1996 Low	Stock	Closing price p	+or-
270	Nil	10/10	33pm	31½pm	BICC	31½pm	

pm premium.

UK GILTS PRICES

[illegible]

STOCK INDICES

[illegible]

APPOINTMENTS

LEGAL NOTICES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES
[illegible]

BANKS, MERCHANT
[illegible]

BANKS, RETAIL
[illegible]

BREWERIES, PUBS & REST
[illegible]

BUILDING & CONSTRUCTION
[illegible]

BUILDING MATS. & MERCHANTS
[illegible]

CHEMICALS
[illegible]

CHEMICALS - Cont.
[illegible]

DISTRIBUTORS
[illegible]

DIVERSIFIED INDUSTRIALS
[illegible]

ELECTRICITY
[illegible]

ELECTRONIC & ELECTRICAL EQPT
[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.
[illegible]

ENGINEERING
[illegible]

ENGINEERING - Cont.
[illegible]

ENGINEERING, VEHICLES
[illegible]

EXTRACTIVE INDUSTRIES
[illegible]

EXTRACTIVE INDUSTRIES - Cont.
[illegible]

FOOD PRODUCERS
[illegible]

FOOD PRODUCERS - Cont.
[illegible]

GAS DISTRIBUTION
[illegible]

HEALTH CARE
[illegible]

HOUSEHOLD GOODS
[illegible]

HOUSEHOLD GOODS - Cont.
[illegible]

INSURANCE
[illegible]

INVESTMENT TRUSTS
[illegible]

INVESTMENT TRUSTS - Cont.
[illegible]

INV TRUSTS SPLIT CAPITAL
[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

Notes	Price	Wk % ch'nge	Div Nil	Dividends paid	Mkt capÇm	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xti ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions: Value Realisation** (InTr), **St James Place** (OtFn), **Gartland Whalley & Barker** (AIM). **Deletions: Le Creuset** (HseG), **Campari Intl** (Text).

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Please quote the code FT4995. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

FT Company Focus / Focus Plus

Comprehensive 10-18 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, *balance sheet and profit and loss data,* plus recent Stock Exchange announcements.
Company Focus (FT news) £5.45.
Focus Plus (FT and Investors Chronicle news) £8.95.
To order, call 0121 200 4678.
Reports published by ShareFinder Ltd.

FT Cityline

For up-to-the-second *share prices* call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 39p per minute cheap rate and 49p per minute at all other times.
An international service is available for callers outside the UK, annual subscription £250 stg.
Call 0171 873 4378 for more information on FT Cityline.
For readers phoning from outside UK, please dial +44 in place of the first 0.
The share prices printed on these pages are also available on the Internet at http//www.FT.com.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK: Prof Advisers 0800 414181 Jersey 01534 71696
Private Clients 0800 414191 00 352 250404230
From O'seas (44) 1732 777377 Hong Kong (852) 848 1000

	Init Charge	Selling Price	Buying Price	Yield Gr's	City-Line
A$ Accum		A$19.050		5.90	40907
ASch Accum		Sch248.51		2.00	47844
C$ Accum		C$18.858		3.10	40841
DM Accum		DM36.282		2.00	41229
DFl Accum		Dfl31.818		1.70	40229
ECU Accum		Ecu13.462		3.10	41230
FFr Accum		FFr68.804		2.60	41282
HK$ Accum		HK$120.88		4.30	41316
Lire Accum		L23477		7.70	41398
NZ$ Accum		NZ$30.638		4.90	41544
Nkr Accum		NKr112.21		3.40	46046
S$ Accum		S$26.887		1.40	49050
SPta Accum		Pta2723.1		6.30	50124
£ Accum		£13.081		4.60	41546
SKr Accum		SKr130.78		3.90	49054
SFr Accum		SFr29.373		0.60	41550
US$ Accum		$23.439		4.40	41575
Yen Accum		Y2880 2		0.10	41582

Prices for dealing September 20

Jupiter Tyndall (Bermuda) Ltd

M & G (Guernsey) Ltd
Westbourne, The Grange, St Peter Port 01481 722083

	Init Charge	Selling Price	Buying Price	Yield Gr's	City-Line
Island Global Fd	0	1854.2	1985.5	0.83	45418
Island Gold	0	4524.7	4789.2	0.09	50128
(Accum. Units)	0	8627.6	9145.3	0.08	45422
Island UK Fd	0	1043.7	1108.3	3.41	45423
(Accum Units)	0	2513.8	2664.8	3.41	45424

Prudential Fund Managers (Guernsey) Ltd
PO Box 81, St Peter Port Guernsey 01481 702080

Rothschild Asset Management (CI) Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

PACIFIC

NORTH AMERICA

AFRICA

INDICES

US INDICES

Dow Jones	Sep 20	Sep 19	Sep 18	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5888.46	5867.74	5877.36	5888.20 (18/9)	5032.94 (10/1)	5888.20 (18/9/96)	41.22 (8/7/32)
Home Bonds	102.01	102.08	102.05	106.09 (14/2)	100.88 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2100.71	2063.90	2044.78	2296.20 (22/5)	1882.71 (18/1)	2296.20 (22/5/96)	13.23 (8/7/32)
Utilities	219.46	218.14	218.00	234.90 (12/2)	204.86 (30/7)	256.40 (21/9/93)	10.53 (8/7/32)

DJ Ind. Day's high (u) (5908.80) Low (u) (5818.17) (Theoretical)
Day's high 5897.33 (5881.45) Low 5854.78 (5847.40) (Actual)

Standard and Poors							
Composite‡	687.02	683.00	681.47	687.02 (20/9)	598.48 (10/1)	687.02 (20/9/96)	4.40 (1/6/32)
Industrials‡	814.67	810.05	807.56	814.67 (20/9)	702.07 (15/1)	814.67 (20/9/96)	3.52 (30/6/32)
Financial	71.04	70.02	70.81	71.84 (10/9)	58.67 (10/1)	71.84 (10/9/96)	7.13 (4/9/74)
NYSE Comp.	365.77	363.84	363.44	365.77 (20/9)	321.41 (10/1)	365.77 (20/9/96)	4.64 (25/4/42)
Amex Mkt Val	586.20	585.44	586.65	614.99 (22/5)	525.60 (16/7)	614.99 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1219.70	1212.08	1205.71	1249.14 (5/6)	988.57 (18/1)	1249.14 (5/6/96)	54.87 (3/10/74)

■ RATIOS

	Sep 13	Sep 6	Aug 30	Year ago
Dow Jones Ind. Div. Yield	2.17	2.24	2.25	2.40
	Sep 18	Sep 11	Sep 4	Year ago
S & P Ind. Div. yield	1.98	2.02	2.06	2.05
S & P Ind. P/E ratio	22.41	21.84	21.50	18.14

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Pepsico	8,152,000	30¼	+⅛
Micron Tech	7,325,500	27¾	—
Coca Cola	6,678,900	51⅛	-1
EMC	5,226,100	23¾	+⅛
Wal Mart	5,123,500	27⅛	+¼
AT & T	5,022,000	57	-⅛
Amer Online	4,478,300	34⅜	+1⅛
Gen Elec	3,883,900	88⅛	+1⅝
Gen Motors	3,534,800	49⅝	+½
Hewlett Pck	3,251,700	49	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Sep 20	Sep 19	Sep 18
New York SE	489.578	398.656	393.095
Amex	27.582	17.984	21.245
NASDAQ	(u)	580.097	501.208
NYSE			
Issues Traded	3,182	3,221	3,206
Rises	1,431	1,110	955
Falls	894	1,248	1,354
Unchanged	857	863	897
New Highs	100	79	101
New Lows	21	34	24

■ S&P 500

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	688.85	691.90	+2.05	693.50	689.90	87,510	174,811
Mar	697.45	698.25	+2.00	699.40	696.90	689	3,836

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	21280.0	21180.0	-140.0	21340.0	21130.0	24,862	194,255
Mar	21350.0	21350.0	-	21350.0	21350.0	2	9,598

Open interest figures for previous day.

◆ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

INDEX FUTURES

■ TOKYO - MOST ACTIVE STOCKS: Friday, September 20, 1996

	Stocks Traded	Closing Prices	Change on day
Sanwa Bank	11.0m	2050	-50
Ga-Jo-En Kanko	9.5m	80	+25
Sumitomo Seika	7.5m	858	+43
New Oji Paper	7.1m	805	+3
Nippon Steel Cp	6.3m	341	-2
Honshu Paper	6.1m	664	+3
Bk Tk-M'bishi	4.6m	2280	+40
Miyakoshi Corp	4.0m	600	+100
Sumitomo Mtl Ind	3.8m	309	-9
Daiichi Kangyo B	3.8m	1880	+10

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

FT FREE ANNUAL REPORTS SERVICE
You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT3165. Ring 0181 770 0770 (open 24 hours including weekends) or fax 0181 770 3822. If calling from outside UK, dial +44 181 770 0770 or fax +44 181 770 3822. Reports will be sent on the next working day, subject to availability.

NEW YORK STOCK EXCHANGE PRICES

4 pm close September 20

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28 7/8	17 3/4	AAR	0.48	2.0	21	431	23 5/8	23	23 5/8	+3/4
46 1/8	35 1/8	AMP	1.00	2.6	18	7432	39 1/4	38 7/8	39	+1/8
97 1/2	68	AMR			18	9779	83 3/4	81 1/8	83 1/2	+2 1/2
50 1/2	37 3/8	ASA	2.00	5.1	25	510	39 3/8	38 5/8	39	-1/4
48 3/4	35 1/8	AbbtL	0.96	2.0	20	13836	48 1/2	47 1/2	47 5/8	-3/4
17 1/4	12 3/4	AbitibiPr	0.40	3.0	6	500	13 1/4	13	13 1/4	+1/4
20 1/4	13 1/2	ABM Ind	0.35	2.2	16	285	16 1/2	15 5/8	15 5/8	-5/8
18 5/8	13 7/8	Acptxceln			38	89	18 5/8	18 1/8	18 1/4	
50 3/4	37 3/4	ACE Ltd	0.56	1.2	11	1118	47 3/8	47	47 3/8	+1/8
10 1/8	9 1/8	ACM Gvt In	0.90	9.1	6	170	9 7/8	9 3/4	9 7/8	+1/8
7 7/8	6 5/8	ACM GvOpp	0.57	8.3		126	7	6 7/8	6 7/8	
9 5/8	8 3/8	ACM Man	0.90	9.5		240	9 1/2	9 3/8	9 1/2	
13 7/8	6 1/8	Acme Elect	0.32	4.3	122	149	7 3/8	7 1/4	7 3/8	+1/8
17 1/2	13 3/8	Acme Mkt			10	79	15 7/8	15 3/4	15 7/8	+1/8
33 3/4	27 3/4	Acordia	0.72	2.4	17	43	30 5/8	30 1/8	30 3/8	-1/4
21 3/8	12	Acuson			87	297	17 5/8	17 3/8	17 1/2	-1/8
19 3/4	17 7/8	Adams Expr	0.48	2.4	1	124	19 5/8	19 1/2	19 5/8	+1/8
21 1/4	10 1/4	AdvMic			9	7451	14 5/8	13 7/8	14 1/2	+1/4
11 1/8	6 1/2	Advest Grp	0.16	1.6	7	1080	10	9 3/4	10	+1/8
28 1/8	8 1/2	Advo Inc	0.10	0.9	521	576	10 3/4	10 1/2	10 5/8	+1/4
51 1/2	41 1/8	Aegon x	1.46	2.9	15	18	50 1/4	49 7/8	50 1/8	+3/4
6 3/4	3 1/2	Aeroflex			3	209	5 1/8	5	5	
70 3/4	57 5/8	Aetna	0.80	1.2	7	5885	67 7/8	67 1/2	67 5/8	-1/4
36 1/2	28 1/4	Aflac	0.40	1.1	15	2257	35 7/8	34 1/4	35 3/4	+3/8
[illegible]										

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

4 pm close September 20

NYSE PRICES

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
33⅛	22¼	SchwMaud	0.60	1.9	15	224	32¼	32	32	-⅛
20⅞	12	SciAtl	0.06	0.4	182	3224	14⅞	14¼	14⅝	+⅛
24	17	Scotsman	0.10	0.4	13	42	u24	23¾	24	+⅛
47½	38⅛	Scripps	0.52	1.1	26	565	48¼	45⅞	48¼	+⅛
16⅛	13⅛	ScuddrNAsF	0.02	0.2		113	13⅜	d13⅛	13¼	
13½	11	ScuddrNEuF	0.16	1.2		174	13⅜	13¼	13¼	-⅛
20½	16	SeaCnB	0.17	0.9	26	25	19¾	19½	19¾	+⅛
16	15	SeaC1.4625	1.46	9.7		4	15⅛	15⅛	15⅛	
67¼	36⅛	S'gate			27	17399	57⅛	55¼	57⅛	+½
35⅜	30⅞	Seagrm	0.60	1.7	24	8768	35⅛	34⅞	35⅛	+½
28	17⅛	Seagull En	1.20	6.3	12	3395	19⅛	18¾	19⅛	+⅛
39	26	Sealed Air	0.64	1.7	29	327	38	37⅞	38	+⅛
53⅞	38¼	SearsR	0.92	2.0	17	15822	46⅛	45⅞	46⅛	+⅜
22⅞	19¼	SecCapSGt	1.24	5.6	20	432	22⅛	21⅞	22	-⅛
13	11⅞	Seligm Sel x	0.84	6.9		66	12⅜	12⅛	12¼	+⅛
23¼	13⅞	Sensormat	0.22	1.2	13	1329	17¾	17⅝	17¾	
46½	29½	SequaA	0.60	1.4	51	62	44¼	44	44⅛	-⅛
53⅞	39	SequaB	0.60	0.9	61	54	53	52⅞	53	+⅛
31¾	19½	ServCp	0.24	0.8	30	7252	d31¼	30⅜	30⅝	-⅜
24½	19½	SvMstr	0.66	2.8	15	330	24⅛	23¾	24	-⅛
6¼	4½	ServMerch			11	2124	5⅛	5	5⅛	+⅛
48¼	28½	SGSTom			9	1280	48¾	48	48⅝	
15⅝	10⅞	Shaw Ind	0.30	2.0	39	1420	15¼	15⅛	15¼	
13½	10⅛	Shelby Wil	0.32	2.7	13	337	12¼	11⅝	11⅞	-⅛
92⅞	76⅝	ShellTr	3.25	3.5	19	590	u92⅞	92⅛	92⅝	+½

NASDAQ NATIONAL MARKET

4 pm close September 20

AMEX PRICES

4 pm close September 20

FT GUIDE TO THE WEEK

MONDAY 23

Focus on Chechnya

The Council of Europe parliamentary assembly discusses the conflict in Chechnya. Whether Russian or Chechen representatives will attend remains unclear – which underscores the fragility of last month's peace deal. Aslan Maskhadov, the Chechen chief of staff, could lead its delegation. However, he remains a wanted criminal in Russia. General Alexander Lebed, the Kremlin security chief who brokered the deal, has not yet accepted the invitation. Some officials said Russia might boycott the session unless the puppet Chechen government in Moscow gets invited too.

BA appeals over damages

The French Appeal Court begins hearing an appeal by British Airways against a ruling last year ordering it to pay damages to 61 French passengers who were on a BA flight trapped in Kuwait by the Iraqi invasion. The French court of first instance had ordered BA to pay damages totalling FFr26m (£3.25m).

ILO reviews farm workers

The plight of the world's half-a-million agricultural wage workers will be reviewed by governments, employers and trade unions at a one-week meeting in Geneva hosted by the International Labour Organisation. An ILO report for the meeting says millions of agricultural workers earn poverty wages, work in harsh or dangerous conditions and have little or no social protection.

Adams launches book

Gerry Adams, the president of Sinn Fein, the political wing of the IRA, launches his autobiography – for which a press conference at the House of Commons, booked by Jeremy Corbyn, the Labour MP, was banned. Extracts of the book, Before the Dawn, have already been published – as a short story in which a terrorist justifies the shooting of a British soldier.

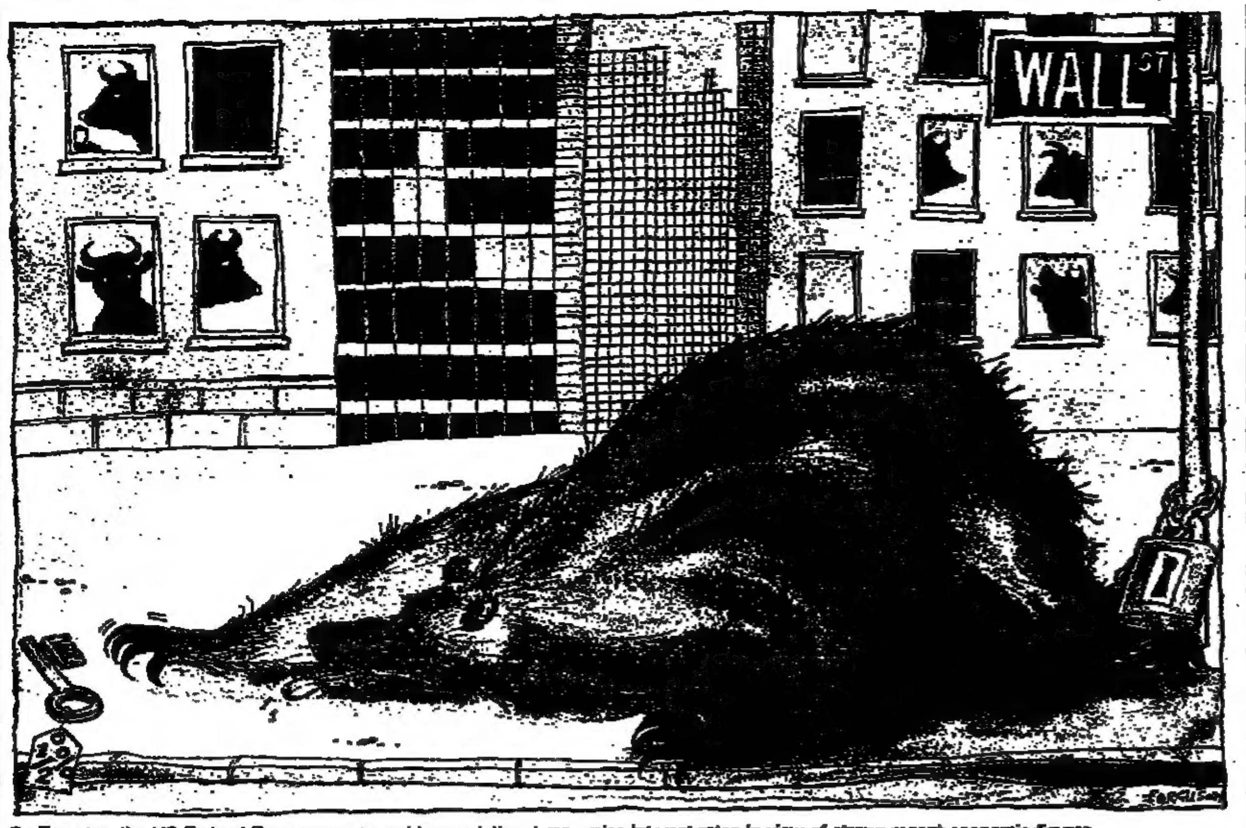
Public holidays

Israel, Japan, Netherland Antilles, New Caledonia.

TUESDAY 24

Fed decision on rates

The US Federal Reserve meets to discuss the monetary outlook, with analysts in the financial markets split. Some expect the Fed to signal a quarter-point increase in short-term *interest rates; others predict no action* before November's presidential election. Many of the Fed's regional presidents favour an increase. Strong recent figures on employment, production and housing have also increased pressure on Alan Greenspan, the Fed chairman, to take decisive action.



On Tuesday, the US Federal Reserve meets amid speculation it may raise interest rates in view of strong recent economic figures

Netanyahu in Europe

Benjamin Netanyahu, the Israeli prime minister, starts a four-day trip to London, Paris and Bonn. The talks with John Major, the British prime minister, Jacques Chirac, the French president, and Helmut Kohl, the German chancellor, will focus on how the peace process can be revived and advanced. The three European leaders will want to know details of Mr Netanyahu's policies towards settlements, Syria and the long-delayed redeployment of Israeli troops from the West Bank city of Hebron. For his part, *Mr Netanyahu will seek support for his* economic liberalisation plan.

Nuclear test ban treaty

The comprehensive nuclear test ban treaty will be opened for signature at the UN in New York. Bill Clinton, the US president, will be the first signatory, followed by representatives *of the four other main nuclear powers* and 11 countries with nuclear reactors have signed and ratified. Its fate as a legal instrument is uncertain while India and Pakistan hold out. In the meantime, the signatories will be considered bound by its provisions.

EU company statute

EU social affairs ministers meeting in Brussels will renew discussions on information and consultation of workers in large companies, in an attempt to revive long-delayed proposals for a European Company Statute. The statute would allow multinational companies to incorporate themselves as a single EU-wide entity.

Lien Chan in parliament

Lien Chan, Taiwan's premier, delivers an address to the Yuan, or parliament, amid continuing controversy over his appointment to the post. The speech has been delayed by opposition accusations that it is unconstitutional for Mr Lien, who was elected Taiwan's vice-president in March, to serve concurrently as premier.

FT Survey

Business Books (UK only).

Public holidays

Dominican Republic, New Caledonia, South Africa, Spain (Barcelona only), Trinidad.

WEDNESDAY 25

Nato in Bosnia review

A two-day informal meeting of Nato defence ministers in Bergen, Norway, will focus on future military options in Bosnia after the termination in December of the alliance's peace-keeping mandate. A wide-ranging reform of Nato's command structure, designed to accommodate France and possible new members in central Europe, will be on the agenda. General Igor Rodionov, the new Russian defence minister, will attend part of the meeting.

Globalisation speeds up

The accelerating pace of company globalisation is documented in the World Investment Report 1996, published by the Geneva-based United Nations Conference on Trade and Development. A surge in foreign direct investment last year reflected an exceptional number of mergers and acquisitions in the US and Europe. FDI in developing countries is also rising *steadily, the report notes, with the* richer ones in turn becoming important overseas investors.

SNP conference starts

Britain's Scottish National party, led by Alex Salmond, opens its annual conference in Inverness at which it is likely to reiterate its campaign for devolution (to Sept 28). It will outline the economic advantages which would accrue to an independent Scotland. *The* SNP – the main opposition in Scotland to Labour – is proposing referendums on a devolved Scottish parliament. It has gained little since the general election of 1992, when it won 21 per cent of the vote but only three seats.

Athletics

IAAF grand prix, Milan.

Equestrianism

Horse of the Year Show, Wembley, London (to Sept 29).

Public holiday

Mozambique.

THURSDAY 26

EU discusses sex trade

Abuse of women and children by the sex trade – a subject higlighted by recent events in Belgium – will be at the forefront of a two-day informal meeting of EU justice and home affairs ministers in Dublin. Consideration will be given to a paper put forward on the problem by Belgium and also to whether the remit of Europol, the embryonic Europe-wide police force, should be extended to cover "trafficking" in women and children.

Strike in Argentina

Argentine unions begin a 36-hour general strike in protest at the government's economic policy and, in particular, a new austerity package. Unions are also angered at plans to make the labour market more flexible and to deregulate union-run social security schemes. A similar strike last month virtually paralysed the country – *showing the public had lost patience* with record unemployment and a sluggish economy.

Election debate in NZ

Jim Bolger, the New Zealand prime minister, will be hoping to pick up support in a televised leaders' debate which is expected to set the scene for the October 12 general election. The election will be the first under the German-style proportional system, which means that New Zealand is virtually certain to have a coalition government.

The latest polls suggest that while *Mr Bolger's National Party* is gaining ground, neither a right-of-centre coalition – which he would lead – nor a left-leaning grouping, could obtain a majority.

Gambian voters go to polls

The west African state of Gambia, a former British colony, is to hold presidential elections in which the military leader who seized power four years ago is a strong contender. Yahya Jammeh, 31, who retired from the army last month, has predicted a landslide victory for himself over three civilian challengers.

His main rival is Ousainou Darboe, of the United Democratic Party (UDP). However, amid violence in the run-up *to the elections, the UDP was reported* last week to be ignorant of the whereabouts of its leader.

Golf

European Open, Dublin (to Sept 29).

FT Surveys

The Chemicals Industry; UK Rail Privatisation.

Public holidays

South Korea, Sri Lanka.

FRIDAY 27

Japan election countdown

Ryutaro Hashimoto, the Japanese prime *minister*, convenes a special session of parliament in order to start the constitutional clock for a general election – which is likely to be on October 20. The parliament, or Diet, will be dissolved on the same day and members of parliament will rush to the hustings for a short and intense election campaign. The signs are that the ruling Liberal Democratic party will strengthen its grip on power and form another coalition.

FT Surveys

Business Parks; World Economy.

Public holidays

Ethiopia, South Korea, Taiwan.

SATURDAY 28

Marathon to Sparta

Runners from around the world compete in the Spartathlon, a non-stop 153-mile race from Athens to Sparta over a mountainous course taken by the ancient courier Pheidippides in 490 B.C. Pheidippides was carrying Athens' request for Spartan assistance to combat Persian invaders. Top-ranked competitors should finish within 24 hours.

Public holidays

Hong Kong, Israel, Macau, South Korea, Taiwan, Turks/Caicos Islands.

SUNDAY 29

Labour annual conference

The British opposition Labour party opens its annual conference in Blackpool (to Oct 4). The impressive display of unity last year – when the leadership under Tony Blair did not lose a single conference vote – is unlikely to be achieved. Some trade unionists are determined to register their anger at the leadership's recent *moves to distance the party further* from its union roots. Dissenters are expected to focus on issues such as the minimum wage and the proposed abolition of child benefit after the age of 16. However, the imminence of the general election may persuade many potential rebels to toe the line.

Sailing

Start of the BT Global Challenge, Southampton, England.

Compiled by Simon Strong. Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Monday: The UK chancellor and governor of the Bank of England meet for their monthly monetary meeting to discuss interest rate policy.

Tuesday: Confirmation is expected that UK gross *domestic product* grew 0.4 per cent in the second quarter of this year. The UK's current account is expected to have narrowed in the second quarter. The US FOMC meets to discuss US economic activity and interest rates. Data is expected to show US consumer confidence remains upbeat.

Wednesday: The International Monetary Fund published its latest World Economic Outlook. The level of US home sales is forecast to have fallen last month.

Thursday: *The UK's trade* gap is expected to have narrowed in July. US durable goods are forecast to have fallen last month.

Friday: German import price and producer price figures due *this week* are expected to show that inflationary pressures remained subdued last month. However, consumer price inflation is forecast to have nudged higher this month.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Canada	Aug department store sales**		2.3%
Sept 23	Canada	Jul wholesale trade†*		0.3%
	US	Aug Treasury Budget	-$35bn	-$27.1bn
Tues	Japan	Jul coincident index	80.0%	55.0%
Sept 24	Japan	*Jul leading differential index*	*77.8%*	70.0%
	UK	Q2 gross domestic product final***	0.4%	0.4%
	UK	Q2 gross domestic product final**	1.8%	1.8%
	UK	Q2 current account	-£1.2bn	-£1.1bn
	US	Sept consumer confidence	108.0	109.4
	US	Aug export price index		-0.5%
	US	Aug import price index		-0.2%
Wed	*France*	*Aug consumer price index final**	*-0.3%*	-0.25%
Sept 25	France	Aug consumer price index final**	1.6%	1.65%
	US	Aug existing home sales	4.1m	4.14m
Thurs	France	Aug household consumption†*	0.5%	1.9%
Sept 26	UK	Jul global visible trade	-£600m	-£1.1bn
	UK	Aug ex-EC visible trade	-£800m	-£506m
	US	Aug durable orders	0.1%	1.7%R
	US	*Aug durable shipments*		0.8%R
	US	M1 week ended Sept 16	-$2.2bn	-$2bn
	US	M2 week ended Sept 16	-£3bn	£16.9bn
Fri	Japan	Sept consumer price index Tokyo**	0.0%	0.1%
Sept 27	Japan	Sept con price index ex-perishables**	-0.1%	0.0%
	Japan	Aug consumer price index national**	0.2%	0.4%
	Japan	Aug con price index ex-perishables**	0.0%	0.3%
	Japan	Aug BoJ corporate services prices**		-0.9%
	Japan	Aug BoJ corporate services prices*		0.0%
	Japan	*Aug retail sales***		-4.1%
	France	Jul trade balance††	FFr8.5bn	FFr9.7bn
	US	Q2 gross domestic product final	4.8%	4.8%
	US	Q2 gross dom prod deflator final	2.2%	2.2%
	US	Q2 after tax corporate profit	unch	-0.3%
	Canada	Aug industrial production price index*		-0.2%
	Canada	Aug raw materials price index		0.9%
During the week...				
	Germany	Sept N Rhine Westphalia cost of liv*		0.0%
	Germany	Sept N Rhine Westphalia cost of liv**		1.8%
	Germany	Sept Baden Wuertt cost of living*		0.0%
	Germany	Sept Baden Wuertt cost of living**		1.2%
	Japan	Aug supermarket sales**		-2.5%
	Japan	Aug department store sales**		-2.4%
	Germany	Sept Bavaria cost of living*		-0.1%
	Germany	Sept Bavaria cost of living*		1.3%
	Germany	*Aug import prices**	*0.0%*	-0.3%
	Germany	Aug import prices**	-0.1%	0.5%
	Germany	Sept prelim cost of living, west*	-0.1%	-0.1%
	Germany	Sept prelim cost of living, west*	1.4%	1.4%
	Germany	Sept Hesse cost of living*		-0.1%
	Germany	Sept Hesse cost of living**		1.2%

*month on month, **year on year, ***quarter on quarter, † seas adjusted. *Statistics, courtesy MMS International.*

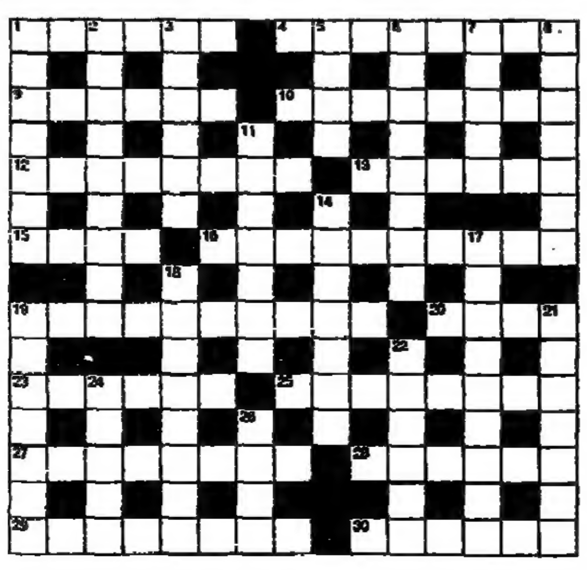
MONDAY PRIZE CROSSWORD
No.9,180 Set by DANTE

ACROSS

1 Searches thoroughly and flushes out (6)
4 Group of men in pursuit of a mate (5,3)
9 Deserving a reprimand (6)
10 *Cause of cracks* TV and press are brought in to examine (8)
12 Choose a road leading to ready-to-eat food (4,4)
13 Doesn't sound it, but it's hot (6)
15 It used to be very painful (4)
16 Calling for a military takeover (10)
19 Forgiveness for a second-rate answer (10)
20 Tighten the spring – it's a means of propulsion (4)
23 Washington perhaps gives me back about £25 (6)
25 They're drunk, but game (8)
27 *Divorced* ladies to be treated differently (8)
28 The clergy have point in dress (6)
29 Rise *drunkenly* to get Heather some wine (8)
30 Fool Ulster tense (6)

DOWN

1 Cloud cover begins to lift, *admitting the sun at the* centre (7)
2 Fringes for old-fashioned garments (9)
3 *Split a pound in payment* for use of telephone (6)
5 Warning sound not given by the careless (4)
6 *Show foresight before* deciding which school to select (3,5)
7 Calm retort (5)
8 Rigidity of stone in construction (7)
11 Lack of numbers means I am included in a pay cut, perhaps (7)
14 Indulges one's moods (7)
17 Meat dish rises with cooking (5,4)
18 Co-operate to meet the delivery (4,4)
19 A row outside the Spanish workshop (7)
21 Refuse to agree to a climb-down, we hear (7)
22 I follow uncle around the centres (6)
24 Snooze – head drops; rest could be a tonic (5)
26 Intend to get tight (4)



A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday October 3, marked Monday Crossword 9,180 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday October 7. Please allow 28 days for delivery of prizes.

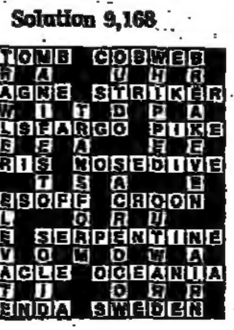
Name...

Address..

Winners 9,168

Mrs J. Burmester, Downend, Bristol
Shirley Anderson, Langside, Glasgow
E.W. Knotwell, Harrow, Middlesex
W.R. Lees, Canterbury, Kent
James McQuhae, Guildford, Surrey
B.C. Stowe, Exmouth, Devon

Solution 9,168



JOTTER PAD